UNAUDITED 2010/11

CONTENTS & EXPLANATION OF THE STATEMENTS

PART 1

STOCKPORT M.B.C. ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

Under central government legislation local government is required by statute:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (in Stockport, the Corporate Director, Corporate and Support Services) has the responsibility for the administration of those affairs;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Corporate Director, Corporate and Support Services' Responsibilities

The Corporate Director, Corporate and Support Services is responsible for the preparation of the Council's Statement of Accounts which, under the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Corporate Director, Corporate and Support Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice, with the exception of some minor departures which have been explained in the accounts.
- accepted responsibility for the operation of the system of internal financial control throughout the Authority.

The Corporate Director, Corporate and Support Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Other Sources of Financial Information

This Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further information can be found in the following publications which are produced each year:

The Review	distributed to most households, and also obtainable from Information and Advice Centres
Schedule of Charges	obtainable from the Corporate Director, Corporate and Support Services
Council Tax Guide	distributed to all households with Council Tax bills
Quarterly Financial Monitoring Reports	Obtainable online at; http://www.stockport.gov.uk/services/councildemocracy/yourcouncil/documentsandfacts/budgetsfinancialmonitoringreports/?view=Standard

Many of these documents and other information can also be found on the Council's internet site, **www.stockport.gov.uk**

Conventions

Throughout this Statement of Accounts credit balances are indicated with parentheses, e.g. (£1,234).

Changes to this year's Statement of Accounts

Local Authorities prepare their accounts in compliance with the CIPFA Code of Practice. The Code of Practice is updated annually and the changes introduced in 2010/11 are significant, requiring Councils to prepare their accounts on an International Financial Reporting Standards (IFRS) basis. The new standards are designed to bring consistency and comparability between financial reports and to follow private sector best practice.

The changes to the reporting and disclosure requirements for the 2010/11 are substantial, particularly in relation to accounting for leases, componentisation of fixed assets, employee benefits and grant income.

Reporting under IFRS brings with it a change to the core financial statements, which include:

- **The Comprehensive Income and Expenditure Statement** which replaces both the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses
- **The Movement in Reserves Statement** which replaces both the Statement of Movement on General Fund Balance and Movement in Reserves note to the accounts.
- **The notes to the accounts** where the disclosure requirements are more extensive than in previous years.

In moving to full IFRS it has been necessary to restate the 2009/10 major statements for comparison purposes and further details are given at Appendix 1.

Overview

The Council approved a net revenue budget for its General Fund Services in 2010/11 of £239.425m on 25 February 2010. During the course of the year the budget was reduced by £1.695m as a result of the Coalition Government's emergency spending reductions. This reduction was partially offset by a net contribution from balances of £0.623m.

These changes produced a revised budget for 2010/11 of £238.353m against which £235.317m was spent by 31 March 2011 generating an in year surplus on service cash limit and non cash limit budgets of £3.036m. £1.658m of this surplus relates to cash limit budgets and will be carried forward in general fund balances to be allocated back to cash limits in 2011/12.

There was a net increase in all Earmarked Reserves of £5.565m to £38.661m. Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. During 2010/11, Earmarked Reserves were used to fund the following significant items:

- £1.6m to fund the cost of redundancies arising from 2011/12 budget savings proposals;
- £0.8m to fund priority initiatives and schemes financed from Performance Reward Grant;
- £0.8m to cover additional care management costs for adults of a working age with learning and physical disabilities;
- £0.6m to fund initiatives designed to generate long term efficiencies;
- £0.4m to help smooth the impact of increases in the Greater Manchester Waste Disposal Authority Levy.

Additional reserves were also set aside as follows:

- £3.4m surplus school and DSG balances;
- £1.0m from Stockport Primary Care Trust (PCT) to fund the PCT/Council Partnership Enablement Fund;
- £1.0m to help meet future severance costs within the Children and Young People Portfolio;
- £0.5m for the Neighbourhood North West initiative following the cessation of grant funding;
- £0.6m to help meet future ICT commitments (equipment and software licences);
- £0.8m for future leasing costs associated with replacement street cleansing vehicles;
- £0.5m for future maintenance costs at Wellington Mill, The Hatworks and Grand Central;
- £0.3m for future capital programme commitments.

There were a number of smaller net transfers to earmarked reserves totalling around £1.7m full details of which are published in the Revenue Outturn Report presented to the Council's Executive Meeting on 13 June 2011.

The original budget included efficiency targets of around £4.025m across all portfolio areas. All portfolios report that they have achieved the efficiencies and savings originally identified with the exception of those relating to Car Parking. During 2010/11, financial pressures were experienced in a number of services such as Adult Social Care, Regeneration, Winter Maintenance and Car Parking. These pressures originated from additional demand for services together with a particularly severe winter. Key income generating services such as Property, Car Parking and Planning have yet to see income yields return to pre-recession levels. In spite of these challenges, the Council has been able to allocate £2m of revenue and capital funding specifically for new priority improvement projects and activities during the year plus a further £1m for Partnership project; many of which are designed specifically to mitigate the impact of the economic downturn.

The overall cash limit surplus of £1.658m is largely attributable to Social Care and Health services and from activity across the Council around the early implementation of 2011/12 budget savings proposals.

Non-cash limit budgets reported a surplus of £1.378m largely arising from lower capital financing costs, the reimbursement of costs from the Highways Agency in relation to the A34 bypass and a surplus in relation to housing benefit subsidy.

All budgets are monitored throughout the course of the year, including the minimum level of general fund balances and future commitments against general and earmarked reserves. These are reported regularly to Councillors through Executive Meetings and Scrutiny Committees. Revenue and Capital outturn reports were considered by the Executive on 13 June 2011 and are available through the council's online committee paper facility through its website.

The table below summarises the provisional revenue outturn position considered by Executive on 13 June 2011 as amended for the approval to fund additional electricity distribution charges of £0.2m from General Fund Balances:

	Revised Budget £000	Outturn £000	(Surplus)/ Deficit £000
Cash Limits	185,806	184,148	(1,658)
Non-Cash Limits	52,547	51,169	(1,378)
Total	**238,353**	**235,317**	**(3,036)**

Stockport Council set a Band D Council Tax of £1,559.96 for 2010/11, an increase of 3.6% over 2009/10 (excluding the Offerton Park Parish precept). Council Tax is the only major source of income other than fees and charges under the Council's direct control, the other sources being determined by central government. Although Stockport's Council Taxpayers make a high proportional contribution to local services, this only accounts for about 61.7% of the Council's Budget Requirement.

The Comprehensive Income and Expenditure Statement (page 15) contains three material items of income and expenditure, the nature of which are described here.

Redundancy. The implementation of the approved saving proposals resulted in voluntary redundancies of £3.257m in the year to 31 March 2011. The Council received a capitalisation directive for 2010/11 under S16 (2) (b) and 20 of the Local

Government Act 2003 and was able to capitalise £0.786m of revenue expenditure relating to redundancy.

Public services pensions. In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing SMBC liabilities in the Greater Manchester Pension Fund by £77.200m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Revaluation losses of Housing Revenue Account Fixed Assets. The revaluation loss calculated under proper practices is £93.070m (2009/10 £9.958m) of which £93.046m relates to council dwellings (including land) and £0.024m relates to other land and buildings. Most of this loss has resulted from the change in social housing adjustment factor in 2010/11 from 48% to 35%. HM land registry indices have resulted in only a 1% decrease in capital values during the year (4% increase in 09/10) and a charge has also arisen due to investment in council dwellings which has not resulted in a £ for £ increase in value.

This loss has been charged to the Comprehensive Income and Expenditure Statement and reversed via the Movement in Reserves, so that there is no net effect on the Council's HRA balance.

Asset values have been reviewed at 31 March 2011 to ensure that the effects of the current economic climate have been accounted for.

The outturn on the Comprehensive Income and Expenditure Statement shows a deficit on a UK IFRS (accounting standards) basis of £17.082m. This compares to an increase in the general fund balance for the year of £2.524m. The main reasons for this difference are highlighted below but are provided in full on page 15:

- Capital investment is accounted for when it is financed, rather than when it is consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Comprehensive Income and Expenditure Statement, but is met by from the usable capital receipts balance rather than council tax
- Retirement benefits are charged as amounts when they become payable to the pension funds and pensioners, rather than as future benefits are earned.

General Fund Balances

The level of general fund balances stands at £10.112m at 31 March 2011. £1.658m of that is earmarked as net cash limit surpluses carried forward leaving available general balances of £8.454m to be carried forward into 2011/12. Having reviewed the risk analysis of the 2011/12 budget the Corporate Director, Corporate and Support Services considers that £7.224m is required to support the 2011/12 budget at this stage. In particular, this recognises the pressures that are likely to continue as a result of public spending reductions. Given that future years' budget plans show a significant savings requirement, the Executive has also agreed that £1.230m of balances over and above the minimum recommended level will not be allocated until the outlook for 2011/12 and the medium term becomes clearer.

Movement in General Fund Balances	**£000**	**£000**
Balance b/f 1/4/10		**(7,588)**
Use of balances during 2010/11		
2009/10 Cash Limit Surpluses b/f to 2010/11	193	
Use of balances to partially fund Coalition Government Emergency Budget Reductions	691	
Use of balances to meet in year pressures in Car Parking Services and to fund additional electricity distribution costs	700	
Contribution to balances during 2010/11		
Set aside as part of the 2010/11 original budget	(1,072)	
Cash Limit and Non Cash Limit Outturn Surpluses	(3,036)	
		(2,524)
Balance c/f 31/3/11		**(10,112)**
Earmarking of General Fund Balances for use in 2011/12		
2010/11 Cash Limit Surpluses c/f to 2011/12		*1,658*
Available General Fund Balance as at 1/4/11		**(8,454)**

Housing Revenue Account (HRA)

Under the *Local Government and Housing Act 1989* expenditure on council housing is "ring-fenced" meaning no contribution can be made to or from the General Fund. Furthermore, the *Housing Revenue Account (Accounting Practices) Directions 2000* applies whereby "Resource Accounting" is implemented, making more transparent the costs of capital tied up in the assets and providing resources to maintain them.

Gross expenditure on the cost of services within the HRA in 2010/11 was £126.630m and gross income amounted to £41.599m, resulting in a net cost of services deficit of £85.031m (deficit of £4.260m in 2009/10). The increase in deficit mostly relates to an increase in revaluation loss, which is £93.070m for 2010/11 (£2009/10 9.958m). After taking

into account adjustments between the accounting basis and funding basis under legislations and transfers to and from earmarked reserves there was a surplus of £0.381m (surplus of £0.542m in 2009/10).

The Council set up an Arms Length Management Organisation "Stockport Homes Limited" on 1st October 2005 to manage and carry out repairs on the housing stock on its behalf.

Capital

The Council has delivered a varied and effective capital programme during 2010/11 and has achieved some significant outcomes. Two notable examples from the year are the £15.862m acquisition of Grand Central and £6.786m capital expenditure on the completion of the new civic complex, Fred Perry Building. The table below summarises the Council's capital expenditure during the year, including accruals.

	2010/11	2009/10
	£m	£m
Council Dwellings	**25.4**	34.7
Schools Improvements and Equipment	**20.5**	20.7
Highways and Bridges	**18.6**	14.6
Other Land and Buildings	**10.7**	8.4
Home Improvements and Other Grants	**4.0**	6.2
Council Equipment and IT	**4.8**	5.0
Regeneration	**17.1**	1.2
	101.1	90.8

This expenditure was financed from long term borrowing, capital receipts, grants, contributions, or direct charges to revenue. A breakdown of the funding sources used to finance the capital programme is as follows:

	2010/11	2009/10
	£m	£m
Supported Borrowing	**21.0**	30.5
Government Grants	**30.0**	30.9
Unsupported Borrowing	**34.4**	17.5
Revenue Contributions	**8.4**	7.6
External Contributions	**4.3**	3.0
Capital Receipts	**3.0**	1.3
Total	**101.1**	90.8

Borrowing

The Council's borrowing is managed to ensure a reasonable spread of maturity and to minimise the interest payable. The maximum amount due to mature in any individual future year is presently £30.0m.

At the end of the financial year, outstanding long term borrowing was £348.5m of the total borrowing of £356.0m. During the year maturing loans of £2.2m were repaid and new long-term borrowing of £45m was taken. No debt rescheduling was undertaken during the financial year.

Housing Revenue Account Reserves

The balance on the HRA reserve stands at £1.789m at 31st March 2011. This is £0.951m above the minimum level assessed as required by the Corporate Director, Corporate and Support Services. The reserve will be reviewed during 2011/12 to take into account future subsidy determinations, investment and priority plans of the Council and Stockport Homes.

Schools Reserves

The level of schools reserves at 31st March 2011 stands at £11.881m, which is an increase of £2.935m this year. Of this reserve, £11.249m relates to balances held by schools and is approximately 7.1% of schools budgets.

Other Earmarked Reserves

The level of other earmarked reserves (including HRA earmarked reserves) stands at £26.780m at 31 March 2011. This represents money set aside for planned specific purposes in future years and will support the Council's Medium Term Financial Plan.

Accounting for Defined Benefit Pension Schemes

To comply with the CIPFA/LASAAC Code of Practice, the Council has fully adopted the requirements of International Accounting Standard 19 (IAS 19) "Employee Benefits", as applicable to defined benefit pension schemes.

The main features of this standard are recognition in the balance sheet of the Council's share of the pension funds net asset/liability, and a pensions reserve; and entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes. IAS 19 is a complex accounting standard, but is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £120.800m has decreased by almost 60% when compared to the previous year's figure (£296.100m). The liability has decreased because of the impact of favourable changes in financial assumptions.

The latest triennial actuarial valuation was undertaken as at 31 March 2010 and the results of this, along with the favourable impact of the current financial assumptions on mortality rates, price and salary inflation levels, an improved return on assets and the pension increases being linked to the (lower) CPI rather than RPI from June 2010, have all contributed to a reduction in the scheme liabilities.

This accounting standard has a substantial impact on the net worth of the Council as recorded in the balance sheet but statutory arrangements for funding the pension deficit mean that there is no impact upon the General Fund.

Collection Fund

Under the Local Government Finance Act 1988 the Council is required to maintain a separate Collection Fund for the administration of Council Tax and Non-Domestic Rates. All amounts collected from local taxpayers and ratepayers are paid into this fund, which is then distributed between the national Non-Domestic Rate pool, the Council's General Fund and the two other precepting authorities (the Greater Manchester Police Authority and the Greater Manchester Fire and Civil Defence Authority).

In 2010/11 the Collection Fund showed an in year deficit of £0.039m. After taking account of this, there is a cumulative surplus on the Fund of £1.496m. The surplus or deficit on the Council Tax account is shared between the Council and the other precepting authorities in proportion to their budgets. The Council's share of the surplus is reflected in its balance sheet and the precepting authorities reflect their share in their balance sheets.

Inspection and Audit of the Accounts

Under the Audit Commission Act 1998 members of the public have the right to inspect the Council's accounts and supporting documents and to question the auditor about, or make objections to, the matters contained in them. The times at which the accounts are deposited for inspection are advertised each year in the *Stockport Express*.

The Council's external auditor is:

Tim Watkinson
District Auditor
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

Certificate of the Statement of Accounts

I hereby certify that the Statement of Accounts for the financial year ended 31 March 2011 required by Regulation 7 of the Accounts and Audit Regulations 2003, together with additions required under the Accounts and Audit (England) Regulations 2011, are set out on the following pages.

I further certify that the Draft Statement of Accounts presents a true and fair view of the financial position of Stockport Metropolitan Borough Council at 31 March 2011, and its income and expenditure for the year ended 31 March 2011.

S. Houston
Corporate Director, Corporate and Support Services Directorate
30 June 2011

FINANCIAL STATEMENTS AND NOTES TO THE CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	(Note1)	(Note1)	(Note1)	(Note1)	(Note2)	(Note2)	(Note2)			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	(9,072)	(29,646)	(866)	(75)	(2,279)	(192)	0	(42,130)	(404,450)	(446,580)
Restatements							(5,157)	(5,157)	(73,018)	(78,175)
Balance at 1 April 2009	**(9,072)**	**(29,646)**	**(866)**	**(75)**	**(2,279)**	**(192)**	**(5,157)**	**(47,287)**	**(477,468)**	**(524,755)**
Movement in reserves during 2009/10:										
Surplus or (deficit) on provision of services	4,649		9,026					13,675		13,675
Other Comprehensive Income and Expenditure									161,915	161,915
Total Comprehensive Income and Expenditure	**4,649**	**0**	**9,026**	**0**	**0**	**0**	**0**	**13,675**	**161,915**	**175,590**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,510)		(9,598)		68	(1)	(2,008)	(18,049)	18,049	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,861)	0	(572)	0	68	(1)	(2,008)	(4,374)	179,964	175,590
Transfers to/from Earmarked Reserves (Note 7)	3,345	(3,345)	30	(30)				0		0
(Increase)/Decrease in 2009/10	**1,484**	**(3,345)**	**(542)**	**(30)**	**68**	**(1)**	**(2,008)**	**(4,374)**	**179,964**	**175,590**
Balance at 31 March 2010 carried forward	**(7,588)**	**(32,991)**	**(1,408)**	**(105)**	**(2,211)**	**(193)**	**(7,165)**	**(51,661)**	**(297,504)**	**(349,165)**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Balances	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	(Note1)	(Note1)	(Note1)	(Note1)	(Note2)	(Note2)	(Note2)			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	**(7,588)**	**(32,991)**	**(1,408)**	**(105)**	**(2,211)**	**(193)**	**(7,165)**	**(51,661)**	**(297,504)**	**(349,165)**
Movement in reserves during 2010/11:										
Surplus or (deficit) on provision of services	(74,015)		91,097					17,082		17,082
Other Comprehensive Income and Expenditure									(166,919)	(166,919)
Total Comprehensive Income and Expenditure	**(74,015)**	**0**	**91,097**	**0**	**0**	**0**	**0**	**17,082**	**(166,919)**	**(149,837)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	65,842		(91,394)		2,211	193	1,846	(21,302)	21,302	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,173)	0	(297)	0	2,211	193	1,846	(4,220)	(145,617)	(149,837)
Transfers to/from Earmarked Reserves (Note 7)	5,649	(5,649)	(84)	84						
(Increase)/Decrease in 2010/11	**(2,524)**	**(5,649)**	**(381)**	**84**	**2,211**	**193**	**1,846**	**(4,220)**	**(145,617)**	**(149,837)**
Balance at 31 March 2011 carried forward	**(10,112)**	**(38,640)**	**(1,789)**	**(21)**	**0**	**0**	**(5,319)**	**(55,881)**	**(443,121)**	**(499,002)**

Note 1 – Reserves held for revenue purposes. Details of schools reserves within earmarked reserves are set out in Note 8 to the Core Statements.

Note 2 – Reserves held for capital purposes

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2010/11			2009/10			Note
	Gross Exp-enditure	**Gross Income**	**Net Exp - enditure**	Gross Exp-enditure	Gross Income	Net Exp-enditure	
	£000	**£000**	**£000**	£000	£000	£000	
Central services to the public	**29,471**	**(26,933)**	**2,538**	40,195	(37,775)	2,420	
Cultural, environmental, regulatory and planning services	**82,313**	**(19,640)**	**62,673**	74,951	(14,617)	60,334	
Education and children's services	**300,007**	**(241,627)**	**58,380**	285,252	(223,613)	61,639	
Highways and transport services	**49,023**	**(9,795)**	**39,228**	43,101	(6,855)	36,246	
Local authority housing (HRA)	**126,630**	**(41,599)**	**85,031**	44,892	(40,632)	4,260	
Other housing services	**82,625**	**(72,359)**	**10,266**	76,387	(74,687)	1,700	
Adult social care	**116,685**	**(42,018)**	**74,667**	108,267	(34,167)	74,100	
Court Services	**1,176**	**(917)**	**259**	1,217	(980)	237	
Corporate and democratic core	**5,728**	**(444)**	**5,284**	6,057	(977)	5,080	
Non distributed costs	**1,485**	**(76,100)**	**(74,615)**	3,193	0	3,193	
Cost Of Services	**795,143**	**(531,432)**	**263,711**	683,512	(434,303)	249,209	4, 25
Other Operating Expenditure	**1,292**	**0**	**1,292**	1,826	0	1,826	8
Financing and Investment Income and Expenditure	**60,586**	**(44,291)**	**16,295**	50,313	(31,965)	18,348	9
Taxation and Non-Specific Grant Income	**0**	**(264,216)**	**(264,216)**	0	(255,708)	(255,708)	10
(Surplus) or Deficit on Provision of Services	**857,021**	**(839,939)**	**17,082**	735,651	(721,976)	13,675	
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(57,719)**			(14,785)	22(a)
Actuarial (gain) /losses on pensions assets/liabilities			**(109,200)**			176,700	37
Other Comprehensive Income and Expenditure			**(166,919)**			161,915	
Total Comprehensive Income and Expenditure			**(149,837)**			175,590	

BALANCE SHEET

		31 March 2011	Restated at 31.03.2010	Restated at 01.04.2009	Note
		£000	£000	£000	
Property, Plant & Equipment					
	- Council dwellings	**286,876**	359,598	344,445	
	- other land and buildings	**390,914**	340,310	343,130	
	- vehicles, plant, furniture and equipment	**19,373**	14,789	9,620	
	- infrastructure	**143,129**	133,000	126,881	
	- community assets	**5,451**	5,499	5,574	
	- surplus assets not held for sale	**13,904**	3,273	2,573	
	- assets under construction	**25,015**	29,572	14,796	
		884,662	886,041	847,019	11
Investment Property		**76,575**	59,347	59,112	12
Intangible Assets		**2,126**	2,873	3,776	13
Assets Held for Sale (long term)		**0**	1,200	1,507	18
Long Term Investments		**10,214**	21,504	20,784	41
Long Term Debtors		**16,285**	12,469	7,890	16b
Long Term Assets		**989,862**	983,434	940,088	
Short Term Investments		**17,037**	10,144	30,736	
Assets Held for Sale (short term)		**1,651**	457	1,920	18
Inventories		**334**	534	410	15
Short Term Debtors		**53,823**	66,904	52,495	16a
Cash and Cash Equivalents		**8,272**	4,698	5,703	17
Current Assets		**81,117**	82,737	91,264	
Short Term Borrowing		**(7,494)**	(23,153)	(36,146)	
Short Term Creditors		**(62,015)**	(60,479)	(60,396)	19a
Current Liabilities		**(69,509)**	(83,632)	(96,542)	
Long Term Creditors		**(14,618)**	(16,035)	(15,396)	19b
Provisions		**(11,432)**	(10,368)	(12,110)	20
Long Term Borrowing		**(348,546)**	(303,536)	(265,417)	
Other Long Term Liabilities					
	- Net pensions liability	**(120,800)**	(296,100)	(112,600)	37
	- Finance leases	**(837)**	(1,042)	(1,288)	35
Capital Grants Receipts in Advance		**(6,235)**	(6,293)	(3,244)	32
Long Term Liabilities		**(502,468)**	(633,374)	(410,055)	
Net Assets		**499,002**	349,165	524,755	
Usable reserves					
	- General Fund	**(10,112)**	(7,588)	(9,072)	21
	- Earmarked reserves	**(38,640)**	(32,991)	(29,646)	21
	- Housing Revenue Account	**(1,789)**	(1,408)	(866)	21
	- Earmarked Housing Revenue Account reserves	**(21)**	(105)	(75)	21
	- Capital Receipts Reserve	**0**	(2,211)	(2,279)	21
	- Major Repairs Reserve	**0**	(193)	(192)	21
	- Capital Grants Unapplied	**(5,319)**	(7,165)	(5,157)	21
Unusable Reserves					
	- Revaluation Reserve	**(81,798)**	(25,210)	(11,363)	22
	- Capital Adjustment Account	**(486,457)**	(571,267)	(583,562)	22
	- Financial Instruments Adjustment Account	**988**	1,107	1,256	22
	- Deferred Capital Receipts	**(351)**	(372)	(393)	22
	- Pensions Reserve	**120,800**	296,100	112,600	22
	- Collection Fund Adjustment Account	**(1,307)**	(1,346)	(78)	22
	- Short-term Accumulating Compensated Absences Account	**5,004**	3,484	4,072	22
Total Reserves		**(499,002)**	(349,165)	(524,755)	

CASH FLOW STATEMENT

		31 March 2011 £000		31 March 2010 £000
Net (surplus) or deficit on the provision of services		**17,082**		13,675
Adjust net surplus or deficit on the provision of services for noncash movements				
Depreciation	**(30,428)**		(27,231)	
Impairment and downward revaluation	**(98,781)**		(26,158)	
Amortisations	**(844)**		(860)	
Increase/(Decrease) in Impairment for provision of bad debts	**(77)**		1,167	
Decrease/(Increase) in creditors	**(10,734)**		8,773	
Increase/(Decrease) in debtors	**(8,639)**		13,707	
Increase/(Decrease) in stock	**(200)**		124	
Pension liability	**66,100**		(6,800)	
Carrying amount of non-current assets sold	**2,132**		3,012	
Other non-cash items charges to the net Surplus or Deficit on the Provision of Services	**(14,585)**		(18,082)	
		(96,056)		(52,348)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets		**37,323**		36,596
Net cash flows from Operating Activities*		**(41,651)**		(2,077)
Investing Activities (Note 23)		**66,277**		27,077
Financing Activities (Note 24)		**(28,200)**		(23,995)
Net (increase) or decrease in cash and cash equivalents		**(3,574)**		1,005
Cash and cash equivalents at the beginning of the reporting period		**4,698**		5,703
Cash and cash equivalents at the end of the reporting period		**8,272**		4,698

*The following items are included within the operating activities:

	31 March 2011 £000	31 March 2010 £000
Interest Received	(1,629)	(1,831)
Interest Paid	15,843	13,793
Finance lease interest paid	27	39
Dividends Received	(1,000)	(1,640)
	13,241	10,361

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.
The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. New accounting policies under IFRS have been applied in compliance with the Code and have been applied retrospectively, except where stated. The adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. These changes are set out in the narrative and tables presented as Appendix 1 to these statements.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.
The only exception to this principal is for electricity, gas and similar quarterly payments. These are charged at the date of the meter reading rather than being apportioned between financial years.

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and Discontinued Operations

Acquired operations

Any material operations acquired by the authority during the accounting period are disclosed in the accounts

iv. Cash and Cash Equivalents

These have been classified in the Balance Sheet and Accounting Policies as follows:

Cash: comprises cash on hand and demand deposits and cash overdrawn.

Cash equivalents: are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The policy the Council has adopted in determining the nature and maturity of items treated as cash equivalent and whether particular funds are held for short-term cash commitments or investment:

Cash:
Demand deposits are deposits with financial institutions that are repayable on demand and available within twenty four hours or one working day, without penalty. Demand deposits therefore include accounts where additional funds may be deposited at any time and funds withdrawn at any time without notice.

Short-term, highly liquid investments that are readily convertible to cash:
Cash equivalents are held so that the authority has monies available to meet its liabilities in the short-term, rather than to make an investment gain from favourable rates on interest or capital appreciation. Highly Liquid Investments include Call Accounts, Money Market Funds and Instant Deposits, together with any other liquid assets held. Although the Council may make favourable investment gains on these instruments and also make use of them for credit risk purposes, they are predominantly held to meet short-term cash flow requirements.

What is meant by Short-term & Insignificant risk of change in value:

Short-term fixed deposits of any length (up to twelve months) have been classified as short-term investments rather than cash equivalents as they are held to obtain an investment gain/return, are not highly liquid or readily convertible into cash and in certain market conditions, there could be a risk of change in value.

In the Cash Flow Statement and Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

This distinction provides stakeholders with a true reflection of cash held to meet short-term cash commitments and those held for investment purposes.

v. Exceptional Items
When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vii. Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.
Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits
Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.
Post Employment Benefits
Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Teachers' Pensions Agency on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund (GMPF)

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.
However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Iboxx sterling Corporates AA over 15 years Index.
- The assets of the Greater Manchester pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  – quoted securities – current bid price
  – unquoted securities – professional estimate
  – unitised securities – current bid price
  – property – market value.
- The change in the net pensions liability is analysed into seven components:

– current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

– past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

– interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

– expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return

– credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

– gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

– actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

– contributions paid to the Greater Manchester pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

ix. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.
Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted
from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain

or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.
The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

xi. Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the
Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure
Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Capital grants and contributions used to fund Revenue Expenditure Funded from Capital Under Statute have been accounted for as revenue grants/contributions at the point at which it is known that they will fund such expenditure.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.
Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

<u>Area Based Grant</u>
Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xiii. Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.
The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xv. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract, including an allocation of overheads, during the financial year.

xvi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment and intangibles held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment and intangibles recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases

Where the Authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement (relating to investment properties). Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP).

Almost all of the Council accommodation, with the exception of schools, is managed as a "single property budget" by the councils associate company, NPS Stockport Ltd. Users are charged on the basis of individual property occupancy, the charge reflects the true accommodation cost of the property.

The cost of support activities are allocated to front line services on the basis of actual usage when known. Otherwise a range of appropriate cost drivers are used to apportion costs.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of good or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the bases set out in the Property, Plant and Equipment note to the Core Statements. Where material, buildings which have been revalued from 1 April 2010 have been valued on an average asset life basis, which averages typical costs of components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 - 40 years, compared to the normal life expectancy of buildings of 40 years. This policy has been applied from 1 April 2010 and no prior year restatement has been performed.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.
The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover Contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are further explained in the relevant policies.
Internal Insurance Funds
The Council operates two main self -insurance funds, set up to meet potential future claims and claims agreed in principal but yet to be settled.
The funds have been split between provisions, reflecting claims which are certain or very likely to occur and reserves, for unknown future claims.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. VAT

VAT is included in income and expenditure only to the extent that it is not recoverable from Her Majesty's Revenue and Customs or has been recovered as a rebate.

2. Accounting Standards Issued Not Adopted

Heritage Assets: Impact Of The Adoption Of The New Standard On The 2011/12 Financial Statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.
Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in various local authority museums, halls and the art gallery. The collections comprise works of art, ceramics, items of furniture, other artefacts and civic regalia.

The collections are not currently recognised in the financial statements as no information is available on the cost of the assets. However, detailed records are kept on each asset for insurance valuation purposes. The total insurance valuation placed on the collections at 31 March 2011 is £7.5m.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority anticipates that it will be able to recognise its collection on the Balance Sheet using, as its base, the detailed insurance valuations (which are based on market values) held by the Authority in respect of the collections.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 31March 2011 is £0.321m. No estimate has yet been made of the expected change to value if these assets were valued at fair value but it is not expected to be material.

3. Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies, set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Details about the accounting policies and how these have been applied are set out in Note 1 and throughout the Notes to the accounts. None are considered to be critical and/or materially significant to be disclosed separately.

The Statement of Accounts contains a number of estimated figures that are based on assumptions made by the Council about the future and/or other uncertainties. The Council does not consider any of these estimates to have a significant risk of resulting in a material adjustment within the next financial year.

4. Material items of Income & Expenditure

Redundancy.

The implementation of the approved saving proposals resulted in voluntary redundancies of £3.257m in the year to 31 March 2011. The Council received a capitalisation directive for 2010/11 under S16 (2) (b) and 20 of the Local Government Act 2003 and was able to capitalise £0.786m of revenue expenditure relating to redundancy.

Service	£000
Adult Social Care	629
Central Services to the Public	103
Education and Children's Services	897
Corporate & Democratic Core	90
Cultural, Environmental and Planning Services	952
Highways and Transport Services	440
Other Housing Services	146
	3,257

Public service Pensions

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing SMBC liabilities in the Greater Manchester Pension Fund by £77.200m and has been recognised as a past service gain in non-distributed costs in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund as the gain is reversed out in the Movement in Reserves Statement.

Revaluation Loss of HRA fixed assets

The revaluation loss charge on HRA fixed assets calculated under proper practices is £93.070m (2009/10 £9.958m) of which £93.045m relates to council dwellings (including land) and £0.025m relates to other land and buildings. Most of this charge has resulted from the change in social housing adjustment factor in 2010/11 from 48% to 35%. HM land registry indices have resulted in only a 1% decrease in capital values during the year (4% increase in 09/10) and a charge has also arisen due to investment in council dwellings which has not resulted in a £ for £ increase in value. The charge is included in Local Authority Housing (HRA) gross expenditure in Cost of Services. There is no impact on the HRA balance as the loss is reversed out in Movement in Reserves Statement.

5. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue on 30 June 2011 by the Corporate Director, Corporate & Support Services. This is the date up to which events after the balance sheet date have been considered and included where relevant.

6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total All Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(30,145)	(93,070)				(123,215)	123,215	0
Amortisation of intangible assets	(844)					(844)	844	0
Movements in the market value of investment properties	686					686	(686)	0
Capital grants and contributions	34,322					34,322	(34,322)	0
Revenue expenditure funded from capital under statute	(11,071)					(11,071)	11,071	0
Profit/loss on sale of non current assets	11	(450)	(1,546)			(1,985)	1,985	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Minimum Revenue Position For Capital Funding	9,118					9,118	(9,118)	0
Principal repayments for transferred debt and deferred purchase scheme	1,247					1,247	(1,247)	0
Voluntary revenue provision for capital financing		406				406	(406)	0
Capital expenditure charged to the general fund	546					546	(546)	0
Adjustments involving the Capital Receipts Reserve:								
Use of the Capital Receipts Reserve to finance new capital expenditure			3,037			3,037	(3,037)	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(720)		720			0	0	0
Adjustments involving the Capital Grants Unapplied Account:								
Capital Grants Receivable and Unapplied in year	(1,846)				1,846	0	0	0
Adjustment involving the Major Repairs Reserve								

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total All Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Reversal of Major Repairs Allowance credited to HRA		1,834		(7,830)		(5,996)	5,996	0
Use of the Major Repairs Reserve to finance new capital expenditure		(236)		8,023		7,787	(7,787)	0
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)	135				119	(119)	0
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	48,913	(13)				48,900	(48,900)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	17,200					17,200	(17,200)	0
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(39)					(39)	39	0
Adjustment involving the Accumulating Compensated Absences Adjustment Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,520)					(1,520)	1,520	0
Total Adjustments	**65,842**	**(91,394)**	**2,211**	**193**	**1,846**	**(21,302)**	**21,302**	**0**

2009/10	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total All Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(36,653)	(9,958)				(46,611)	46,611	0
Amortisation of intangible assets	(860)					(860)	860	0
Movements in the market value of investment properties	111					111	(111)	0
Capital grants and contributions	33,910					33,910	(33,910)	0
Revenue expenditure funded from capital under statute	(8,507)					(8,507)	8,507	0
Profit/loss on sale of non current assets	(886)	(506)	(1,627)			(3,019)	3,019	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Minimum Revenue Position For Capital Funding	8,651					8,651	(8,651)	0
Principal repayments for transferred debt and deferred purchase scheme	1,063					1,063	(1,063)	0
Voluntary revenue provision for capital financing		442				442	(442)	0
Other movements	1			(1)				
Adjustments involving the Capital Receipts Reserve:								
Use of the Capital Receipts Reserve to finance new capital expenditure			1,319			1,319	(1,319)	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(376)		376			0	0	0
Adjustments involving the Capital Grants Unapplied Account:								
Capital Grants Receivable and Unapplied in year	2,008				(2,008)	0	0	0
Adjustment involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to HRA		536		(7,869)		(7,333)	7,333	0

2009/10	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total All Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Use of the Major Repairs Reserve to finance new capital expenditure		(289)		7,869		7,580	(7,580)	0
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(17)	166				149	(149)	0
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23,511)	11				(23,500)	23,500	0
Employer's pensions contributions and direct payments to pensioners payable in the year	16,700					16,700	(16,700)	0
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,268					1,268	(1,268)	0
Adjustment involving the Accumulating Compensated Absences Adjustment Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	588					588	(588)	0
Total Adjustments	**(6,510)**	**(9,598)**	**68**	**(1)**	**(2,008)**	**(18,049)**	**18,049**	**0**

7. Transfers to/from Earmarked Reserves

The Council has a number of earmarked reserves, which represent sums set aside over the years for specific purposes. These are listed in the table below. With the exception of school and HRA reserves, these reserves are regarded as usable for General Fund purposes.

	Balance at 31st March 2010 £000	Reclassific-ations in year £000	Increases in year £000	Reductions in year £000	**Balance at 31st March 2011 £000**
School Reserves Under Local Management - These represent net surpluses by schools on the delegated portion of their budgets net of loans to schools	(8,946)	(8)	(11,640)	8,713	**(11,881)**
Adults and Health High & Complex Needs	(565)		(822)	643	**(744)**
Asylum Seekers	(802)		(20)	18	**(804)**
Corporate Efficiency Programme	(1,275)		(44)	600	**(719)**
Insurance Fund Liabilities	(6,550)	(234)		29	**(6,755)**
Workforce Strategy	(876)		(8)	100	**(784)**
Children and Young People Specific Projects	(946)	(44)	(60)	70	**(980)**
Priority Initiatives Fund	(671)	128	(237)	512	**(268)**
Waste Strategy	(897)		(155)	510	**(542)**
Supporting People Programme	(894)		(20)	39	**(875)**
Capital Programme Commitments Financed from Revenue Reserves	(601)	6	(1,061)	727	**(929)**
SEMMMS/A555 Relief Road	(1,091)	1,091			**0**
Performance Reward Grant	(1,492)	(340)	(336)	1,111	**(1,057)**
Medium Term Financial Strategy	(1,041)	(1,091)	(1,492)	2,092	**(1,532)**
LEA Staff Insurance Scheme	(808)	76	(292)		**(1,024)**
Children and Young People Balance of Risks	(761)		(248)		**(1,009)**
Severance Costs (Children & Young People)	0		(1,057)		**(1,057)**
Street Cleansing Machine	0		(825)		**(825)**
ICT General Reserve	(163)	(176)	(437)	14	**(762)**
Neighbourhood North West	0		(535)		**(535)**
Single Property Budget	(20)	(160)	(339)		**(519)**
Other Reserves < £500k - balances set aside for projects for use in later years	(4,592)	752	(3,227)	2,028	**(5,039)**
	(32,991)	0	(22,855)	17,206	**(38,640)**
HRA Earmarked reserves	(105)			84	**(21)**
	(33,096)	0	(22,855)	17,290	**(38,661)**
Comparative figures for previous year	(29,721)	0	(21,944)	18,569	**(33,096)**

8. Other operating expenditure

	2010/11 £000	2009/10 £000
Parish council precepts	**59**	58
Payments to the Government Housing Capital Receipts Pool	**720**	376
(Gains)/losses on the disposal of non-current assets	**513**	1,392
	1,292	1,826

9. Financing and Investment Income and Expenditure

	2010/11 Expenditure £000	**2010/11 Income £000**	**2010/11 Net £000**	2009/10 Expenditure £000	2009/10 Income £000	2009/10 Net £000
Interest payable and similar charges	**17,359**		**17,359**	14,537		14,537
Pensions interest cost and expected return on pensions assets	**41,700**	**(35,800)**	**5,900**	34,200	(24,100)	10,100
Interest receivable and similar income		**(2,502)**	**(2,502)**		(2,106)	(2,106)
Income and expenditure in relation to investment properties and changes in their fair value	**385**	**(4,159)**	**(3,774)**	401	(3,957)	(3,556)
(Gains)/ losses on trading accounts	**1,142**	**(830)**	**312**	1,175	(802)	373
Other investment income		**(1,000)**	**(1,000)**		(1,000)	(1,000)
	60,586	**(44,291)**	**16,295**	50,313	(31,965)	18,348

10. Taxation and Non Specific Grant Incomes

	2010/11 £000	2009/10 £000
Council tax income	**(136,239)**	(132,026)
Non domestic rates	**(72,849)**	(66,258)
Non-ringfenced government grants	**(28,876)**	(29,335)
Capital grants and contributions	**(26,252)**	(28,089)
	(264,216)	(255,708)

11. Property, Plant and Equipment

Movement in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 1 April 2010	368,127	375,621	22,271	181,997	6,065	3,312	29,572	**986,965**
Additions	24,564	15,827	6,620	10,235			14,758	**72,004**
Revaluation increases/ decreases to Revaluation Reserve		37,056						**37,056**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	(101,574)	(9,743)						**(111,317)**
Impairment decreases to Surplus or Deficit on the Provision of Services		(49)						**(49)**
Derecognition - Disposals	(1,353)	(165)						**(1,518)**
Reclassifications & Transfers	2,925	(163)	789	7,094	62	8,608	(19,315)	**0**
Reclassified to Held for Sale		(272)						**(272)**
Other Movements*						2,800		**2,800**
At 31 March 2011	**292,689**	**418,112**	**29,680**	**199,326**	**6,127**	**14,720**	**25,015**	**985,669**
Accumulated Depreciation and Impairment								
At 1 April 2010	(8,529)	(35,311)	(7,482)	(48,997)	(566)	(39)		**(100,924)**
Depreciation Charge	(5,887)	(14,272)	(2,825)	(7,200)	(110)	(134)		**(30,428)**
Depreciation written out to Revaluation Reserve		17,686						**17,686**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	8,529	4,049						**12,578**
Impairment losses/ reversals to Surplus or Deficit on the Provision of Services		7						**7**
Derecognition - Disposals	74							**74**
Reclassifications & Transfers		643				(643)		**0**
At 31 March 2011	**(5,813)**	**(27,198)**	**(10,307)**	**(56,197)**	**(676)**	**(816)**	**0**	**(101,007)**
Net Book Value								
At 31 March 2011	**286,876**	**390,914**	**19,373**	**143,129**	**5,451**	**13,904**	**25,015**	**884,662**
At 1 April 2010	**359,598**	**340,310**	**14,789**	**133,000**	**5,499**	**3,273**	**29,572**	**886,041**

Movement in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 March 2009 as previously reported	354,194	376,334	14,870	169,861	5,967	7,249	14,796	**943,271**
Restatements		7,057				(4,637)		**2,420**
Adjusted opening balance at 1 April 2009	354,194	383,391	14,870	169,861	5,967	2,612	14,796	**945,691**
Additions	30,777	11,103	6,911	8,809	53	16	21,692	**79,361**
Revaluation increases/decreases to Revaluation Reserve		1,841						**1,841**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(18,307)	(17,548)				(617)		**(36,472)**
Impairment decreases to Surplus or Deficit on the Provision of Services		(1,653)						**(1,653)**
Derecognition - Disposals	(779)							**(779)**
Reclassifications & Transfers	2,406	(610)	490	3,327	45	1,301	(6,916)	**43**
Reclassified to Held for Sale	(164)	(903)						**(1,067)**
At 31 March 2010	**368,127**	**375,621**	**22,271**	**181,997**	**6,065**	**3,312**	**29,572**	**986,965**
Accumulated Depreciation and Impairment								
At 31 March 2009 as previously reported	(9,749)	(40,020)	(5,250)	(42,980)	(393)	(39)		**(98,431)**
Restatements	0	(241)	0	0	0	0	0	**(241)**
Adjusted opening balance at 1 April 2009	(9,749)	(40,261)	(5,250)	(42,980)	(393)	(39)	0	**(98,672)**
Depreciation Charge	(7,200)	(11,672)	(2,232)	(6,017)	(110)			**(27,231)**
Depreciation written out to Revaluation Reserve	0	12,766	0	0	0	0	0	**12,766**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	8,374	2,666	0	0	0	712	0	**11,752**
Impairment losses/reversals to Revaluation Reserve		(555)						**(555)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services		330			(63)	0		**267**
Derecognition - Disposals	46							**46**
Reclassifications & Transfers		712	0	0	0	(712)	0	**0**
Reclassified to Held for Sale		703						**703**
At 31 March 2010	**(8,529)**	**(35,311)**	**(7,482)**	**(48,997)**	**(566)**	**(39)**	**0**	**(100,924)**
Net Book Value At 31 March 2010	**359,598**	**340,310**	**14,789**	**133,000**	**5,499**	**3,273**	**29,572**	**886,041**
At 1 April 2009	**344,445**	**343,130**	**9,620**	**126,881**	**5,574**	**2,573**	**14,796**	**847,019**

*An asset, previously not recorded, was added to the asset register in 2010/11.

Revaluations

The valuation of the freehold and leasehold properties which comprise the Council's property portfolio has been carried out by Mr Brian Ormerod, FRICS, who is employed by NPS Stockport Ltd, a company which is related to the Council. Properties were initially valued as at 1 April 1994 on the undermentioned bases in accordance with the *Statements of Asset Valuation Practice* and *Guidance Notes* of the Royal Institution of Chartered Surveyors, except that:

- not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation;
- for properties of a similar nature, the "beacon" principal was adopted.

HRA properties have been valued as at 1 April 2010 in line with updated CLG guidance "Stock Valuation for Resource Accounting – Guidance for Valuers – 2010".

Since then a rolling programme of revaluation has taken place; in addition the valuation of council dwellings is subject to an annual "desktop" review.

Due to the current economic climate a desk top impairment review of asset categories was undertaken at 31 March 2011.

Valuation bases of fixed assets are set out in the Statement of Accounting Policies.

In the main the valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole. The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The exception to this is in-year expenditure on assets, which is analysed by the valuer at the end of the financial year. Some expenditure is added to asset values, where in the opinion of the valuer, it adds some value to the asset. Other expenditure is written off as an impairment during the year, where in the opinion of the valuer it does not add value to the asset. All assets will be 'officially' revalued, taking this expenditure into account during the five year rolling programme of revaluations.

In accordance with the Code of Practice, the Council has charged depreciation on its property, plant and equipment to the Comprehensive Income and Expenditure Statement, regardless of the maintenance regime on any individual asset.

The following table illustrates the life of the assets for each category type, as adopted by Stockport Metropolitan Borough Council (other than freehold land which is not depreciated). Depreciation is calculated on a straight line basis.

Category	**Life of Asset**
Housing Stock	Buildings 40 years
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / IT 5 years
Infrastructure	Bridges 40 years Highways 25 years Playgrounds 25 years
Community Assets	40 years
HRA shops/ garages	Buildings 40 years

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
Valued at historical cost:		332	19,373	143,129	5,451		25,015	
Valued at current value in:								
2010/2011	286,876	169,851				13,904		
2009/2010		134,569						
2008/2009		58,505						
2007/2008		6,296						
2006/2007		21,361						
Total Fixed Assets	**286,876**	**390,914**	**19,373**	**143,129**	**5,451**	**13,904**	**25,015**	**884,662**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2011 the Council had £13m which had been contracted for. These works include further phases of schemes which are already in progress as well as other planned schemes which have not yet been started, and expenditure may be dependent on external funding.

These commitments are:

	2010/11	2009/10
	£000	£000
Improvements to schools – New build	**8,400**	0
Improvements to schools - Other	**1,018**	2,878
Improvements to council dwellings	**1,360**	9,511
Home improvement grants	**400**	784
ICT projects	**1,000**	0
Highways and Environmental works	**774**	1,300
Repairs and improvements to other Council properties	**97**	635
	13,049	15,108

Infrastructure Assets

Traffic Signal assets to the value of £1.11m will be transferred to the new Greater Manchester Combined Authority on 1 April 2011.

12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11	2009/10
	£000	£000
Income including rental income	**(3,400)**	(3,847)
Expenditure	**385**	401
Net income from investment properties	**(3,015)**	(3,446)
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	**(122)**	0
Carrying amount of investment properties sold	**49**	0
(Surplus)/deficit on sale of Investment Properties:	**(73)**	0
Changes in Fair Value of Investment Properties	**(686)**	(110)
	(3,774)	(3,556)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement in the normal course of letting. However, the Council as landowner may become liable for maintenance costs of certain properties if they become vacant.

Included in investment properties is an asset of £6.621m for land at Manchester Airport. This represents 4.644% of a plot of land at the Airport which is held in Trust by Manchester City Council who own the freehold. The Council accounts for a share in this asset as the trust deed covering the land states that the property and rights are held by the City Council for the joint use and the benefit of itself and the other GM Authorities and that the assets or liabilities under this agreement are to be shared in the agreed proportions. As such rent paid by the Airport is divided between each of the

GM Authorities, including Stockport MBC. The valuation of this land is based on a market valuation carried out by Manchester City Council's Valuer in 2010/11.

The following table summarises the movement in fair value of investment properties over the year:

	Investment Property	**Asset held for sale**	**Total**	
	2010/11	**2010/11**	**2010/11**	2009/10
	£000	**£000**	**£000**	£000
Balance at start of year				
- as previously reported	**59,347**			64,718
- restatements	**0**			(5,606)
as restated	**59,347**		**59,347**	59,112
Additions:				
- purchases	**16,591**		**16,591**	124
Disposals	**(49)**		**(49)**	
Reclassification	**(72)**	**72**	**0**	
Net gains from fair value adjustments	**686**		**686**	111
Balance at end of the year	**76,503**	**72**	**76,575**	59,347

13. Intangible Fixed Assets

	2010/11	2009/10
	£000	£000
Balance at start of year:		
- gross carrying amount	**5,616**	5,659
- accumulated amortisation	**(2,743)**	(1,883)
Net carrying amount at start of year	**2,873**	3,776
Additions:		
- Purchases	**97**	
- Transfers		(43)
Amortisation for the year	**(844)**	(860)
Net carrying amount at end of year	**2,126**	2,873
Comprising:		
Gross carrying amounts	**5,713**	5,616
Accumulated amortisation	**(3,587)**	(2,743)
	2,126	2,873

Intangible assets comprise software package licences and website development. These short-lived assets are amortised to revenue over five to ten years from the year following the year of acquisition and are stated at historical cost.

14. Financial Instruments

Definitions:

The **amortised cost of a financial asset or financial liability** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The **effective interest rate** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but

shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 *Revenue*), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

A. Financial Instrument Balances

Accounting regulations require the 'financial instruments' (investments and borrowing of the Council) shown on the balances sheet to be further analysed into various defined categories. The borrowings and investments disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

	Long-Term Balance at 31 March 2011 £000	Current Balance at 31 March 2011 £000	Long-Term Balance at 31 March 2011 £000	Current Balance at 31 March 2011 £000
Borrowing:				
Financial liabilities at amortised cost				
PWLB: maturity loans	266,084	0	230,716	1,926
PWLB: annuity loans	3,062	484	3,450	458
Market loans	79,387	0	69,355	0
Temporary loans	0	6,995	0	20,756
Bonds	13	15	15	13
Cash & cash equivalents	0	6,130	0	7,543
Total Borrowings	**348,546**	**13,624**	303,536	30,696
Trade Creditors				
Financial liabilities at amortised cost	0	8,256	0	7,609
Total Creditors	**0**	**8,256**	0	7,609
Other Long-Term Liabilities				
Finance lease liabilities	625	212	837	205
Total Other Long-Term Liabilities	**625**	**212**	837	205
Investments:				
Loans & receivables				
Temporary investments	0	17,037	0	10,144
Long-term investments	0	0	11,290	0
Cash & cash equivalents	0	14,402	0	12,241
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment under available-for-sale through cost less impairment	10,214	0	10,214	0
Total Investments	**10,214**	**31,439**	21,504	22,385
Debtors				
Trade Debtors	902	7,285	1,754	16,060
Long-term debtors	9,151	0	9,151	0
Total Debtors	**10,053**	**7,285**	10,905	16,060

Unquoted equity investment under available-for-sale through cost less impairment represents the Council's 5% holding in Manchester Airport PLC (10,214m £1 shares).

Long-term debtors represent the Manchester Airport loan conversion of debt previously administered on behalf of the Airport by the Council, comprising a number of PWLB annuity and maturity loans for which the Council was previously reimbursed. These were converted into one loan for 45 years at 12% on 9 February 2010 (across the 10 Greater Manchester Councils).

Lenders Option Borrowers Option (LOBO) loans of £47.5m have been included in long term borrowing as market loans but have a call date in the next 12 months.

The above long term figures are based on EIR calculations where the maturity period for a LOBO is taken as being the contractual period to maturity

Note 1: Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2: Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

B. Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	as at 31 March 2011			as at 31 March 2010		
	Financial Liabilities Liabilities measured at amortised cost	**Financial Assets** Loans and receivables	Total	**Financial Liabilities** Liabilities measured at amortised cost	**Financial Assets** Loans and receivables	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Interest expense	17,359	0	17,359	14,537	0	14,537
Losses on derecognition	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Interest payable and similar charges	17,359	0	17,359	14,537	0	14,537
Interest income	0	(2,502)	(2,502)	0	(2,106)	(2,106)
Gains on derecognition	0	0	0	0	0	0
Interest and investment income	0	(2,502)	(2,502)	0	(2,106)	(2,106)
Net (gain)/loss for the year	17,359	(2,502)	14,857	14,537	(2,106)	12,431

C. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities, financial assets represented by loans and receivables and trade debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.

Methods and Assumptions in valuation technique:
The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in todays terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing interest rate of a similar instrument with a published market rate, as the discount factor.

Inclusion of Accrued Interest:
The purpose of fair value disclosure is primarily to provide a comparison with the carrying value in the balance sheet. Since this also includes accrued interest as at the balance sheet date, accrued interest has also been included in the Fair Value calculation, up to and including the valuation date.

Discount Rates used in NPV Calculation:
The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2011, using bid prices where applicable.

The calculations are made with the following assumptions:
- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 126/11.
- Interest is calculated using the most common market convention, ACT/365.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender (benchmark market rate).
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

(i) Fair value of liabilities carried at amortised cost

	31st March 2011		31st March 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Liabilities:	**£000**	**£000**	£000	£000
PWLB: maturity	266,084	250,167	232,642	241,467
PWLB: annuity	3,546	4,357	3,908	5,027
LOBOs	79,387	79,851	69,355	72,796
Bonds	28	28	28	28
Short-term borrowing	6,995	6,985	20,756	20,790
Cash & cash equivalents	6,130	6,130	7,543	7,543
Trade creditors:	8,256	8,256	7,609	7,609
Liabilities	**370,426**	**355,774**	341,841	355,260

Fair value is as at 31 March 2011 is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

(ii) Fair value of assets carried at amortised cost

	31st March 2011		31st March 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair Value
Loans & receivables:	**£000**	**£000**	£000	£000
Cash & Cash Equivalents	14,402	14,402	12,241	12,241
Deposits with banks and building societies	17,037	17,176	21,434	22,262
Unquoted equity investment	10,214	10,214	10,214	10,214
Trade debtors:	8,187	8,187	17,814	17,814
Long-term debtors:	9,151	9,151	9,151	9,151
Assets	**58,991**	**59,130**	70,854	71,682

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial

15. Inventories

	31 March 2011	31 March 2010
	£000	£000
Balance outstanding at start of year	**534**	410
Purchases	**2,541**	738
Recognised as an expense in the year	**(2,626)**	(611)
Written off balances	**(115)**	(3)
Reversals of write-offs in previous years	**0**	0
Balance outstanding at year-end	**334**	534

16a. Short Term Debtors - These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2011	Balance at 31 March 2010
	£000	£000
Central Government	**9,936**	10,006
Council Tax	**15,770**	15,983
Amounts owed by subsidiary undertakings	**4,329**	5,094
Social Services clients	**4,122**	2,981
Housing rents	**1,072**	1,176
Car and other loans	**737**	377
Payments in Advance	**2,924**	4,868
Accrued & other miscellaneous income	**25,650**	37,213
	64,540	77,698
Provision for bad and doubtful debts	**(10,717)**	(10,794)
	53,823	66,904

16b. Long Term Debtors - These represent amounts that are not due for repayment within 12 months of the balance sheet date. They can be analysed as follows:

	Balance at 31 March 2011	Balance at 31 March 2010
	£000	£000
Mortgages	**192**	211
Loans to Manchester Airport plc	**9,151**	9,151
Ex GMC debt	**16**	31
Car and bike loans to employees	**295**	284
Loan – Stockport Homes Ltd	**2,000**	736
Loan – Solutions SK	**4,448**	1,900
Loan – Offerton Parish Council	**0**	9
Other debts	**183**	147
	16,285	12,469

17. Cash and Cash Equivalents

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2010/11 £000	2009/10 £000
Cash and Bank balances	**10,402**	9,621
Short term Investments, considered to be cash equivalents	**4,000**	2,620
Short term Deposits, considered to be cash equivalents	**0**	0
Bank Overdraft	**(6,130)**	(7,543)
	8,272	4,698

18. Assets Held for Sale

	Current		Non-Current	
	2010/11 £000	2009/10 £000	**2010/11 £000**	2009/10 £000
Balance at start of year:				
- as previously reported		0		0
- restatements		1,920		1,507
as restated	**457**	1,920	**1,200**	1,507
Assets newly classified as held for sale:				
- Property, Plant and Equipment	**272**	364		
Revaluation gains		178		
Impairment losses				(52)
Assets sold	**(457)**	(2,262)		
Transfers from non-current to current	**1,202**	257	**(1,202)**	(257)
Other movements	**177***		**2**	2
Balance at end of year	**1,651**	457	**0**	1,200

- Asset, not previously recorded, added to the asset register in 2010/11.

19a. Short Term Creditors – These include all amounts owing within 12 months of the balance sheet date:

	Balance at 31 March 2011 £000	Balance at 31 March 2010 £000
Government Departments	**(8,275)**	(10,296)
Local Authorities	**(615)**	(41)
Amounts owed to subsidiary undertakings	**(2,456)**	(5,191)
Capital Creditors	**(9,886)**	(11,929)
Sundry Creditors	**(30,656)**	(26,119)
Accruals	**(2,345)**	(1,064)
Receipts in Advance	**(2,778)**	(2,355)
Employees Accumulated Absences	**(5,004)**	(3,484)
	(62,015)	(60,479)

19b. Long Term Creditors – These include all amounts due after more than 12 months of the balance sheet date:

	Balance at 31 March 2011 £000	Balance at 31 March 2010 £000
Debt administered by Other Councils	**(13,158)**	(13,970)
Loans under the Chronically Sick & Disabled Persons Act 1971	**(50)**	(50)
Deferred Purchase Schemes	**(1,410)**	(2,015)
	(14,618)	(16,035)

20. Provisions

	Balance at 31 March 2010 £000	**Increases in year £000**	**Decreases in year £000**	**Balance at 31 March 2011 £000**
Insurance Fund	**(7,182)**	**(2,076)**	**991**	**(8,267)**
S117 Mental Health Act Provision	**(1,117)**	**0**	**19**	**(1,098)**
Equal Pay Claims	**(2,042)**	**0**	**0**	**(2,042)**
Planning Appeals	**(27)**	**0**	**2**	**(25)**
	(10,368)	**(2,076)**	**1,012**	**(11,432)**
Comparative figures for 2009/10	(12,110)	(3,668)	5,410	(10,368)

Insurance Fund

The insurance provision is in respect of outstanding liability claims in connection with employer's and public liability and Education property. Some schools have taken out their own policies to cover uninsured risks in respect of burst water pipes and theft from property. The amount shown in the provision highlights commitments where settlements have yet to be agreed (any balances are shown as an earmarked reserve.)

S117 Mental Health Act Claims

The Council has in the past charged for services provided under Section 117 of the Mental Health Act 1983. Following a decision of the House of Lords the Council is now liable to reimburse those users who have been inappropriately charged for services. This includes those people who have had services arranged for them by the Council and those who "self funded" their own care privately but had a legal right under Section 117 to free after care.

Work has been carried out to identify the Council's potential liability. This liability has been estimated at £1.098m for which a provision has been established.

Equal Pay Claims

Under the Equal Pay Act 1970 as modified by the Equal Pay (Amendment) Regulations 2003, employees have a right to claim compensation from their employer for failing to give equal pay for work of an equal value.

Employees who did not accept the initial offer of compensation may claim through the courts. The Council has established a provision for £2.042m for the estimated cost of future claims.

21. Usable Reserves

Movements in usable reserves are set out in the Movement in Reserves Statement and supporting notes. An explanation of usable reserves is set out below.

General Fund Balances

See the review of the year on page 7 for more details on the General Fund Balance.

Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserve

See Note 7 for more details of Earmarked Reserve balances.

Housing Revenue Account

See the statements and notes for an explanation of and in year movements on the Housing Revenue Account.

Capital Receipts Reserve

This represents capital receipts which are available to finance capital expenditure. The balance at year end represents receipts which have not yet been applied for this purpose.

Major Repairs Reserve

See note 4 to the Housing Revenue Account for an explanation of and in year movements on this reserve.

Capital Grants Unapplied

The balance at year end represents capital grants without conditions which have been received but not yet applied to finance capital expenditure.

22. Unusable Reserves

The movement on unusable reserves is shown below:

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Account	Collection Fund Adjustment Account	Accumulated Absences Account	**Total Unusable Reserves**
Balance at 31 March 2009	(14,932)	(502,903)	1,256	(393)	112,600	(78)	0	0	(404,450)
Restatements	3,569	(80,659)				78	(78)	4,072	(73,018)
Balance at 1 April 2009	**(11,363)**	**(583,562)**	**1,256**	**(393)**	**112,600**		**(78)**	**4,072**	**(477,468)**
Movement in reserves during 2009/10:									
Other Comprehensive Income and Expenditure	(14,785)				176,700				161,915
Movements to other reserves	938	12,295	(149)	21	6,800		(1,268)	(588)	18,049
Increase/Decrease in 2009/10	(13,847)	12,295	(149)	21	183,500	0	(1,268)	(588)	179,964
Balance at 31 March 2010 carried forward	**(25,210)**	**(571,267)**	**1,107**	**(372)**	**296,100**	**0**	**(1,346)**	**3,484**	**(297,504)**
Movement in reserves during 2010/11:									
Other Comprehensive Income and Expenditure	(57,719)				(109,200)				(166,919)
Movements to other reserves	1,131	84,810	(119)	21	(66,100)		39	1,520	21,302
Increase/Decrease in 2010/11	(56,588)	84,810	(119)	21	(175,300)	0	39	1,520	(145,617)
Balance at 31 March 2011 carried forward	**(81,798)**	**(486,457)**	**988**	**(351)**	**120,800**	**0**	**(1,307)**	**5,004**	**(443,121)**

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11	**2010/11**	2009/10	2009/10
	£000	**£000**	£000	£000
Balance at beginning of the year				
- As previously reported				(14,932)
- Restatements				3,569
As restated		**(25,210)**		(11,363)
Assets added to the register adjustment	**(2,977)**		0	
Upward revaluation of assets	**(55,218)**		(14,785)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**476**		0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(57,719)**		(14,785)
Difference between fair value depreciation and historical cost depreciation	**966**		163	
Accumulated gains on assets sold or scrapped	**165**		220	
Other adjusting amounts	**0**		555	
Amount written off to the Capital Adjustment Account		**1,131**		938
Balance at end of year		**(81,798)**		(25,210)

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The table below shows the movements on the Capital Adjustment Account:

	2010/11	2010/11	2009/10	2009/10
	£000	**£000**	£000	£000
Balance at beginning of the year				
- As previously reported				(502,903)
- Restatements				(80,659)
As restated		**(571,267)**		(583,562)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of noncurrent assets	**30,471**		29,224	
Transfer from revaluation reserve to write down impairment losses			(555)	
Revaluation losses on Property, Plant and Equipment	**98,739**		24,720	
Amortisation of intangible assets	**844**		860	
Revenue expenditure funded from capital under statute	**11,071**		8,507	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	**1,785**		2,774	
	142,910		65,530	
Difference between fair value depreciation and historical cost depreciation	**(966)**		(163)	
Net written out amount of the cost of non-current assets comsumed in the year		**141,944**		65,367
Capital financing applied in the year:				
Repayment of loans	**161**		4	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(3,184)**		(1,319)	
Use of the Major Repairs Reserve to finance new capital expenditure	**(7,787)**		(7,580)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(32,105)**		(31,231)	
Application of grants to capital financing from the Capital Grants Unapplied Account	**(2,216)**		(2,679)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(9,118)**		(8,651)	
Capital expenditure charged against the General Fund balance	**(546)**			
Principal repayments for transferred debt and deferred purchase scheme	**(1,247)**		(1,063)	
Voluntary revenue provision for capital financing	**(406)**		(442)	
		(56,448)		(52,961)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**(686)**		(111)
Balance at end of the year		**(486,457)**		(571,267)

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2010/11 £000	2009/10 £000
Balance at beginning of the year	**1,107**	1,256
Timing Differences on premiums and discounts	**(110)**	(140)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	**(9)**	(9)
Balance at end of the year	**988**	1,107

(d) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £000	2009/10 £000
Balance at end of the year	**(372)**	(393)
Transfer to the Capital Receipts Reserve upon receipt of cash	**21**	21
Balance at end of the year	**(351)**	(372)

(e) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

See note 37 to the Core Financial Statements for an explanation of and the in year movements on the Pensions Reserve.

(f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11	2009/10
	£000	£000
Balance at end of the year		
- As previously reported		0
- Restatements		(78)
As restated	**(1,346)**	(78)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**39**	(1,268)
Balance at end of the year	**(1,307)**	(1,346)

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	**2010/11**	2009/10	2009/10
	£000	**£000**	£000	£000
Balance at end of the year				
- As previously reported				0
- Restatements				4,072
As restated		**3,484**		4,072
Settlement or cancellation of accrual made at the end of the preceding year	(3,484)		(4,072)	
Amounts accrued at the end of the current year	5,004		3,484	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**1,520**		(588)
Balance at end of the year		**5,004**		3,484

23. Note to the Cash Flow Statement – Investing Activities

	31 March 2011	31 March 2010
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	**93,140**	70,933
Purchase of short-term and long-term investments	**71,650**	82,730
Other payments for investing activities	**12,454**	11,301
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(373)**	(1,006)
Capital grants	**(32,624)**	(33,580)
Proceeds from short-term and long-term investments	**(76,650)**	(102,680)
Other receipts from investing activities	**(1,320)**	(621)
	66,277	27,077

24. Note to the Cash Flow Statement – Financing Activities

	31 March 2011	31 March 2010
	£000	£000
Cash receipts of short- and long-term borrowing	**(245,681)**	(464,427)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**205**	203
Repayments of short- and long-term borrowing	**217,276**	440,229
	(28,200)	(23,995)

25. Amounts Reported for Resource Allocation Decisions

Service Information

The net expenditure of the Authority's principal Portfolios and Committees recorded in the budget reports for the year is as follows

Net Cost of Services

	2010/11 £000	2009/10 £000
Adults and Health	65,110	66,164
Children and Young People	37,394	38,598
Communities	15,633	7,552
Customer Focus	9,307	9,847
Environment	14,187	11,797
Finance	13,008	14,905
Leisure	12,006	11,656
Regeneration	2,607	2,959
Transportation	12,081	12,363
Licensing, Environment & Safety Committee	1,861	1,886
Planning and Highways Committee	954	1,456
Non-Cash Limit	51,168	46,627
Net Cost of Services	**235,316**	**225,810**

Reconciliation of Portfolio/Committee net expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of net expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Cost of Services in Service Analysis	**235,316**	**225,810**
Add amounts not reported to management	58,417	42,150
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(30,022)	(18,751)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**263,711**	**249,209**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio/Committee net expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement

2010/11 Reconciliation to Subjective Analysis (Single Entity)	**Service Analysis £000s**	**Not reported to mgmt £000s**	**Not included In CIES £000s**	**Allocation of Recharges £000s**	**Net Cost of Services £000s**	**Corporate Amounts £000s**	**Total £000s**
Fees, charges & other service income	(213,236)	0	622	0	(212,614)	(2,736)	(215,350)
Financing and investment income	(2,735)	0	0	0	(2,735)	(41,557)	(44,292)
Income from council tax	0	0	0	0	0	(136,238)	(136,238)
Distribution from NNDR Pool	0	0	0	0	0	(72,849)	(72,849)
Government grants and contributions	(322,407)	6,224	100	0	(316,083)	(55,128)	(371,211)
Total Income	**(538,378)**	**6,224**	**722**	**0**	**(531,432)**	**(308,508)**	**(839,940)**
Employee expenses	264,794	(70,490)	0	0	194,304	0	194,304
Other service expenses	460,769	(18,442)	(22,669)	22,338	441,996	19,011	461,007
Support Service recharges	22,338	0	0	(22,338)	0	0	0
Capital Charges	0	141,125	0	0	141,125	0	141,125
Financing and investment expenditure	17,718	0	0	0	17,718	42,868	60,586
Total operating expenses	**765,619**	**52,193**	**(22,669)**	**0**	**795,143**	**61,879**	**857,022**
Appropriations	8,075		(8,075)		0		0
Surplus or deficit on the provision of services	**235,316**	**58,417**	**(30,022)**	**0**	**263,711**	**(246,629)**	**17,082**

2009/10 Reconciliation to Subjective Analysis (Single Entity)	**Service Analysis £000**	**Not reported to mgmt £000**	**Not included in CIES £000**	**Allocation of Recharges £000**	**Net Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(139,385)	0	0	0	(139,385)	(3,526)	(142,911)
Financing and investment income	(3,526)	0	0	0	(3,526)	(28,439)	(31,965)
Income from council tax	0	0	0	0	0	(132,026)	(132,026)
Distribution from NNDR Pool	0	0	0	0	0	(66,258)	(66,258)
Government grants and contributions	(302,088)	8,728	1,968	0	(291,392)	(57,424)	(348,816)
Total Income	**(444,999)**	**8,728**	**1,968**	**0**	**(434,303)**	**(287,673)**	**(721,976)**
Employee expenses	259,732	(13,981)	0	0	245,751	10,100	255,851
Other service expenses	371,792	(15,908)	(15,734)	19,763	359,913	6,263	366,176
Support Service recharges	19,763	0	0	(19,763)	0	0	0
Capital Charges	0	63,311	0	0	63,311	0	63,311
Financing and investment expenditure	14,537	0	0	0	14,537	35,776	50,313
Total operating expenses	**665,824**	**33,422**	**(15,734)**	**0**	**683,512**	**52,139**	**735,651**
Appropriations	4,985		(4,985)	0			0
(Surplus)/Deficit on provision of services	**225,810**	**42,150**	**(18,751)**	**0**	**249,209**	**(235,534)**	**13,675**

26. Trading Operations

The table below shows the main areas of the Council's operations, which operate in a competitive or semi-competitive environment, and balance their budget by generating income from other parts of the authority or other organisations.

	2010/11			2009/10		
	Turnover	**Total Expenditure**	**(Surplus) /Deficit**	Turnover	Total Expenditure	(Surplus) /Deficit
	£000	**£000**	**£000**	£000	£000	£000
Building Control	**(479)**	**542**	**63**	(495)	755	260
Stockport Market	**(351)**	**600**	**249**	(307)	420	113
	(830)	**1,142**	**312**	(802)	1,175	373

Building Control

Building Regulations exist principally to ensure the health, safety, welfare and convenience of people in and around buildings, and the water and energy efficiency of buildings. The regulations apply to most new buildings and many alterations of existing buildings, whether domestic, commercial or industrial. Compliance is mandatory.

In addition to the building regulation function that is open to private competition, the building control services also provide functions to support local governance, which contribute to local priorities. These additional functions include emergency response to dangerous structures, enforcement of dilapidated and ruinous buildings, administration of demolition notices.

Whereas the building regulation services, checking designs and certifying work as built, is funded through income, generally the additional functions are funded through local authority budgets.

Stockport Market

Stockport Market provides affordable space for small scale retail businesses in a Town Centre location. This caters for approximately 50 indoor and up to 100 outdoor traders.

Through the provision of the Stockport Market, the Council is aiming to support small businesses and at the same time provide a diverse shopping offer within the Town Centre. The Market also provides opportunity for small scale retail entrepreneurs to test out their business ideas. These objectives contribute to the Council's Thriving Stockport priority.

The operation of the Market is currently supported by the Council as a means to pursuing these objectives.

27. Pooled Budget Arrangements

Pooled Budgets with Stockport Primary Care Trust. Section 75 Agreements.

On 1st April 2009, the Council entered into pooled budget arrangements with Stockport PCT via formal Section 75 Agreements. There are now 7 discrete budgets within the S75 portfolio covering: Learning Disabilities (Adults); Older People (Intermediate Care); Non-Acute Adults, Drugs & Alcohol in-patient detoxification; the Community Equipment Store; Mental Health; and Continuing Health Care Assessment. The PCT is responsible for hosting the Older People's Non Acute services budget, with other budgets hosted by SMBC.

The memorandum account below shows both the contributions by partners and the financial performance for each individual pool and the overall performance of the S75 for 2010/11:-

Pooled Budget	SMBC Cont	PCT Cont	Total Cont	Spend 2010/11	Variance 2010/11 Spend (under)/over
	£000	**£000**	**£000**	**£000**	**£000**
Older People	1,177	4,808	5,985	5,725	(260)
Non Acute Adults	875	365	1,240	615	(625)
Learning Disabilities	17,504	6,295	23,799	24,844	1,045
Drugs & Alcohol	106	55	161	161	0
Community Equipment Store	270	297	567	732	165
Mental Health	284	289	573	569	(4)
CHC Assessment	0	685	685	685	0
Totals	**20,216**	**12,794**	**33,010**	**33,331**	**321**

The SMBC share of assets & liabilities for each pool and the impact on the income & expenditure position is shown below:

Pooled Budget	SMBC Cont 2010/11	SMBC Spend 2010/11	SMBC Variance (under)/over	SMBC Spend 2009/10	Variance 2009/10 to 2010/11 (under)/over
	£000	**£000**	**£000**	**£000**	**£000**
Older People	1,177	1,014	**(163)**	2,978	(1,964)
Non Acute Adults	875	484	**(391)**	0	484
Learning Disabilities	17,504	18,159	**655**	17,827	332
Drugs & Alcohol	106	106	**0**	125	(19)
Community Equipment Store	270	373	**103**	275	98
Mental Health	284	281	**(3)**	0	281
CHC Assessment	0	0	**0**	0	0
Totals	**20,216**	**20,417**	**201**	**21,205**	**(788)**

1. The S75 agreement for Non Acute Adults, Mental Health and CHC Assessment are new in 2010/11, which means there are no comparable figures for 2009/10; they continue the integration of services to achieve better outcomes for service users and carers.

2. The variance on the Older People pooled budget between 2009/10 and 2010/11 is due to an agreed change in contribution amounts. An extra £1million was contributed by the Council in 2009/10 to assist the PCT but this has not been continued in 2010/11.

28. Members' Allowances

The authority paid the following amounts to members of the council during the year.

	2010/11	2009/10
	£ 000	£ 000
Allowances	**888**	896
Expenses	**6**	9
Total	**894**	905

29. Officer Remuneration

The remuneration paid to the Authority's senior employees is as follows:

2009/10								
Post Holder	Note	Salary incl. Fees & Allow £000	Expenses Allowances £000	Benefits in Kind £000	Compensation for Loss of Office £000	Total Remuneration excl. Pension Cont. £000	Pension Cont. £000	Total Remuneration incl. Pension Cont. £000
Chief Executive -J.R Shultz		160	0	9	0	169	23	192
Corporate Director & Deputy Chief Exec		134	2	1	0	137	18	155
ASST Chief Exec	A	52	0	1	0	53	7	60
ASST Chief Exec		77	0	3	0	80	11	91
Corporate Director		117	2	12	0	131	17	148
Corporate Director		112	0	6	0	118	17	135
Director		93	0	4	0	97	14	111
Service Director		88	0	5	0	93	13	106
Service Director		87	0	3	0	90	13	103
Service Director		86	0	3	0	89	13	102
Service Director		82	0	7	0	89	12	101
Service Director		87	1	1	0	89	12	101
Service Director		86	0	2	0	88	12	100
Service Director		85	0	3	0	88	12	100
Service Director		79	0	5	0	84	12	96
Service Director	B	50	0	2	0	52	7	59
Corporate Director	D	16	0	0	0	16	2	18

2010/11								
Post Holder	**Note**	**Salary incl. Fees & Allow £000**	**Expenses Allowance £000**	**Benefits in Kind £000**	**Compensation for Loss of Office £000**	**Total Remuneration excl. Pension Cont. £000**	**Pension Cont. £000**	**Total Remuneration incl. Pension Cont. £000**
Chief Executive-J.Schultz	E	**18**	**0**	**0**	**0**	**18**	**0**	**18**
Chief Executive-E.Boylan		**167**	**0**	**3**	**0**	**170**	**25**	**195**
Corporate Director & Deputy Chief Exec		**137**	**3**	**0**	**0**	**140**	**18**	**158**
ASST Chief Exec	A	**88**	**1**	**0**	**0**	**89**	**13**	**102**
ASST Chief Exec		**85**	**0**	**0**	**0**	**85**	**13**	**98**
Corporate Director		**120**	**3**	**11**	**0**	**134**	**17**	**151**
Corporate Director		**115**	**0**	**0**	**0**	**115**	**17**	**132**
Director		**93**	**0**	**0**	**0**	**93**	**14**	**107**
Service Director	B	**94**	**0**	**0**	**0**	**94**	**13**	**107**
Service Director		**91**	**0**	**0**	**0**	**91**	**14**	**105**
Service Director		**89**	**1**	**0**	**0**	**90**	**13**	**103**
Service Director		**90**	**0**	**0**	**0**	**90**	**13**	**103**
Service Director		**88**	**0**	**0**	**0**	**88**	**13**	**101**
Service Director		**88**	**0**	**0**	**0**	**88**	**13**	**101**
Service Director		**87**	**0**	**0**	**0**	**87**	**13**	**100**
Service Director		**86**	**0**	**0**	**0**	**86**	**13**	**99**
Service Director		**86**	**0**	**0**	**0**	**86**	**13**	**99**
Service Director	C	**79**	**3**	**0**	**0**	**82**	**12**	**94**
Corporate Director	D	**64**	**0**	**0**	**0**	**64**	**9**	**73**

NOTE	
A	Assistant Chief Executive joined the authority on 1 September 2009, the 2010/11 increase reflects the full year effect.
B	Service Director joined the authority on 1 August 2009, the 2010/11 increase reflects the full year effect.
C	Service Director joined the authority on 12 April 2010 at an annualised salary £94,389.
D	The Corporate Director provides services for both the authority and Stockport PCT (NHS Stockport) and these organisations share the payment of the salary. His salary for 2010/11 is £145,000 of which the SMBC share is £64,000. The Corporate Director joined the authority on 1 January 2010 and the 2010/11 increase reflects the full year effect.
E	Chief Executive- J Schultz left the authority on 05/04/2011 and his annualised salary would have been £160,424. £84,820 was paid to Greater Manchester Pension Fund as the capital cost of his retirement.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts shown on the table below. Please note that the 2010/11 figures include redundancy payments made to employees, hence why there is an increase on the number of employees from the previous year.

Remuneration band	**2010/11 Number of employees**	2009/10 Number of employees
£50,000 - £54,999	**125**	112
£55,000 - £59,999	**85**	60
£60,000 - £64,999	**55**	30
£65,000 - £69,999	**17**	12
£70,000 - £74,999	**10**	7
£75,000 - £79,999	**5**	4
£80,000 - £84,999	**6**	4
£85,000 - £89,999	**2**	4
£90,000 - £94,999	**1**	0
£95,000 - £99,999	**0**	0
£100,000 -£104,999	**2**	0
£105,000 - £109,999	**0**	1
£110,000 - £114,999	**2**	0
£115,000 - £119,999	**0**	1
£120,000 - £124,999	**0**	0
£125,000 - £129,999	**0**	0
£130,000 - £134,999	**0**	0
£135,000 - £139,999	**0**	0
£140,000 - £144,999	**0**	0

30. External Audit Costs

Stockport Metropolitan Borough Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	**309**	291
Fees payable to the Audit Commission in respect of statutory inspection.	**0**	17
Fees payable to the Audit Commission for the certification of grant claims and returns.	**45**	45
	354	353

31. Dedicated Schools Grant

From 2006/07 the Council has received a specific grant – the Dedicated Schools Grant to fund expenditure on schools. In 2010/11 the Council received £158.171m Dedicated Schools Grant.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for central administration and a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	**Total £000s**
Final DSG for 2010/11	16,970	141,201	**158,171**
Brought forward from 2009/10	0	0	**0**
Carry forward to 2011/12 agreed in advance	0	0	**0**
Agreed budgeted distribution in 2010/11	16,970	141,201	**158,171**
Actual Central expenditure	15,650		**15,650**
Actual ISB deployed to schools		141,201	**141,201**
Local Authority contribution for 2010/11	0	0	**0**
Carry forward to 2011/12	1,320	0	**1,320**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11	**2010/11**	2009/10	2009/10
	Credited to taxation and non specific grant income	**Credited to services**	Credited to taxation and non specific grant income	Credited to services
	£000	**£000**	£000	£000
Capital				
Capital Grants:				
Partnership for schools capital programme (including DFC, PCP, Modernisation, 14-19 Diplomas)	**(9,101)**	**(1,567)**	(13,584)	(2,506)
Sure Start, Early Years and Childrens Grants	**(2,909)**	**(1,336)**	(1,870)	(1,404)
Department for Transport, Highways capital programme (including Retaining Walls)	**(8,297)**	**0**	(8,234)	0
Housing (HCA, DFG, Regional Housing Pot)	**(1,015)**	**(1,315)**	0	(2,551)
Department of Health (including CAF)	**(354)**	**(779)**	(614)	0
PRG - Capital	**0**	**0**	(1,267)	(364)
Other government grants	**(507)**	**(812)**	(330)	(33)
Contributions:				
Developer and other highways contributions	**(3,411)**	**0**	(1,101)	0
Other contributions	**(658)**	**(414)**	(1,089)	(971)
Total Capital Grants & Contributions	**(26,252)**	**(6,223)**	(28,089)	(7,829)
Revenue				
Revenue Grants:				
Education and Schools grants:				
Dedicated Schools Grant (DSG)	**0**	**(158,171)**	0	(152,404)
Standards Fund & School Standards Grant	**0**	**(25,625)**	0	(22,280)
Sure Start, Early Years and Childcare Grant	**0**	**(8,188)**	0	(6,317)
Other Education and Schools Grants	**0**	**(3,011)**	0	(1,399)
Subsidy grants for benefits payments:				
Rent Allowances	**0**	**(44,333)**	0	(39,410)
Rent Rebates	**0**	**(24,599)**	0	(23,930)
Council Tax	**0**	**(22,075)**	0	(20,471)
Benefit Administration	**0**	**(2,477)**	0	(2,310)
Other Government Grants:				
Revenue Support Grant	**(10,578)**	**0**	(15,293)	0
Area Based Grant	**(18,198)**	**0**	(12,074)	0
Other Government Grants	**(100)**	**(7,527)**	(1,968)	(4,238)
Contributions:				
NHS Stockport to Adults Social Care	**0**	**(12,794)**	0	(9,404)
NHS Stockport to Childrens Social Care	**0**	**(1,060)**	0	(1,399)
Total Revenue Grants & Contributions	**(28,876)**	**(309,860)**	(29,335)	(283,562)
Total Grants & Contributions	**(55,128)**	**(316,083)**	(57,425)	(291,391)

Capital grants and contributions credited to services relates to revenue expenditure funded from capital under statute.

Analysis of Capital Grants Receipts in Advance Balance

The balance of Capital Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	2010/11	2009/10
	£'000	£'000
Capital Grants Receipts in Advance		
Partnership for schools capital programme	**(4,859)**	(4,718)
Sure Start, Early Years and Childrens Grants		(1,004)
Department of Health	**(717)**	(400)
Department for Transport, Highways capital programme	**(510)**	
Other government grants	**(149)**	(171)
Total	**(6,235)**	(6,293)

33. Transactions with Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled and influenced by the Council. This note sets out details of transactions between related parties and the Council.

Central Government: the government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Grants received from government departments are set out in the subjective analysis in Note 25 on Reporting for Resource Allocation Decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 32.

Details of transactions with government departments are set out in the Cash Flow Statement

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interests, which is open to public inspection. Members' interests are also available to view via the Council's web site. Each year Members are asked to declare any such interests including related parties. In addition, the Council's Constitution sets out procedures for the declaration of Members' interests at Council meetings and for the withdrawal of Members from meetings, if it is deemed that there is a conflict of interest.

Several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council.

During the year, the Council paid £7.785m to organisations in which 14 members had either a voluntary interest or held a stewardship role.

One member of the Council is a Director of the Stockport Primary Care Trust. The Council paid £6.427m to the Trust and received income of £17.107m from the Trust during 2010/11. The net amount owing to the Trust as 31 March 2011 was £2.524m (2009/10 - £0.230m)

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties. In addition there is a code of conduct under which such officers must disclose any pecuniary and non-financial interests. No related party interests were declared for 2010/11.

Other material related party transactions:

The Council has undertaken business on normal contractual terms for the supply of services from the following organisations that are related parties for the purposes of FRS 8:

- <u>Stockport Sports Trust:</u> was formed to manage the Council's indoor sports facilities. A grant of £1.727m was paid in 2010/11 (£1.727m in 2009/10) towards the running costs of the facilities. The amount owing from Stockport Sports Trust at 31 March 2011 was £0.034m (£0.013m as at 31 March 2010). No amount was owing to Stockport Sports Trust at 31 March 2011 (Nil as at 31 March 2010).
- <u>Borough Care:</u> Payments of £8.127m were made for residential care in 2010/11, of which £1.816m was a block contract and £6.311m were spot purchases. This equated to about 85% of Borough Care's total business. No amount was owing to Borough Care at 31 March 2011 (31 March 2010 - Nil), and the amount owing from Borough Care at 31 March 2011 was £0.014m (31 March 2010 – £0.012m).
- <u>Co-op Funeral Services</u>: The Council has a contract with Co-op Funeral Services for it to undertake the management of the Stockport Borough Cemetery and Crematorium. The Co-op arranges and conducts all cremations within Stockport and administers the burials service on behalf of the Council. The Council leases premises and equipment to the Co-op on normal commercial terms. In 2010/11 £0.308m (£0.173m in 2009/10) was due to the Council for cremation services. No amount was owing to the Co-op at 31 March 2011 (Nil at 31 March 2010)
- <u>Pure Innovations Limited</u>: Payments of £2.792m were made for the provision of disability and vulnerable people services in 2010/11 (2009/10 £2.771m). This equated to about 47% of Pure Innovations' business. No amount was

owing to Pure Innovations at 31 March 2011 (Nil at 31 March 2010) and the amount owing from Pure Innovations 31 March 2011 was £0.039m (31 March 2010 – £0.034m).

The services provided by the companies above were previously provided by the Council.

Other related parties disclosed elsewhere in the Statement of Accounts:

- Pension funds – disclosed in other notes to the Core Financial Statements.
- The Council holds long term investments in companies. These are disclosed in other notes to the Core Financial Statements.

34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2009/10
	£000	£000
Opening Capital Financing Requirement	**370,334**	331,405
Capital Investment		
Property, Plant and Equipment	**72,004**	79,361
Investment Properties	**16,591**	124
Assets Held for Sale	**2**	2
Loans treated as capital expenditure	**1,382**	2,794
Revenue Expenditure Funded from Capital Under Statute	**11,071**	8,507
Intangible assets	**97**	0
	101,147	90,788
Sources of finance		
Capital receipts	**(3,037)**	(1,319)
Government grants received or receivable	**(30,022)**	(30,896)
External contributions	**(4,300)**	(3,013)
Revenue contributions including MRP	**(17,856)**	(16,631)
	(55,215)	(51,859)
Closing Capital Financing Requirement	**416,266**	370,334
Explanation of Movements in Year in the underlying need to borrow		
Increase in underlying need to borrow (supported by Government financial assistance)	**21,044**	30,477
Increase in underlying need to borrow (unsupported by Government financial assistance)	**24,888**	8,452
(Decrease)/ Increase in Capital Financing Requirement relating to Borrowing	**45,932**	38,929

35. Leases

Council as Lessee

The Council on an ongoing basis enters into various operating and finance lease agreements with lessors in providing some of its services.

The Council has three finance lease agreements in respect of plant and equipment and intangible assets.

The table below analyses the rentals paid for operating and finance lease by asset classification charged to the Comprehensive Income and Expenditure Statement.

	2010/11			2009/10		
	Operating Lease	**Finance Lease**	**Total**	Operating Lease	Finance Lease	Total
	£000	**£000**	**£000**	£000	£000	£000
Land & Buildings	**801**	**-**	**801**	831	0	831
Plant , equipment & vehicles	**4,130**	**17**	**4,147**	5,229	17	5,246
Intangible assets	**-**	**215**	**215**	-	225	225
	4,931	**232**	**5,163**	6,060	242	6,302

The operating lease commitments for plant, equipment and vehicles include amounts which are partly reimbursed by employees for the leased cars they use.

Certain other lease costs paid by the Council are reimbursed by subsidiary and associate companies.

Finance Leases

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the authority in future years while the liability remains outstanding.

The minimum lease payments made on finance leases are shown in the table below;

	31 March 2011	31 March 2010
	£000	£000
Finance Lease Liabilities:		
Current	**228**	237
Non Current	**635**	900
Finance costs payable in future years	**(26)**	(95)
Minimum Lease repayments	**837**	1,042

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2011 are as follows:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**212**	205
Later than 1 year & not later than 5 years	**625**	837
Over five years	**0**	0
	837	1,042

	Property, Plant and Equipment	Intangible Assets	**Total**
	£'000	**£'000**	**£'000**
Cost or Valuation			
At 1 April 2010	98	1,442	**1,540**
At 31 March 2011	**98**	**1,442**	**1,540**
Accumulated Depreciation/ Amortisation and Impairment			
Opening balance at 1 April 2010	(39)	(206)	**(245)**
Depreciation Charge/ Amortisation Charge	(10)	(206)	**(216)**
At 31 March 2011	**(49)**	**(412)**	**(461)**
Net Book Value			
At 31 March 2011	**49**	**1,030**	**1,079**
At 1 April 2010	59	1,236	1,295

Operating Leases

The authority leases vehicles, plant and other equipment under the terms of operating leases, the future minimum lease payments due under non-cancellable leases in future years are shown in the table below:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**4,081**	4,972
Later than 1 year & not later than 5 years	**7,147**	10,874
Over five years	**168**	1,641
	11,396	17,487

Council as Lessor

The Council does not have any finance leases where the Authority is lessor.

Operating Leases

The Council has numerous operating leasing agreements with private individuals and entities regarding shops, other premises and land where the Council acts as the lessor.

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**8,566**	4,445
Later than 1 year & not later than 5 years	**24,084**	14,917
Later than five years	**343,784**	405,536
	376,434	424,898

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £4.682m rents were receivable by the Authority (2009/10 £4.497m).

	Property, Plant and Equipment	Investment Properties	**Total**
	£'000	**£'000**	**£'000**
Cost or Valuation			
Opening balance at 1 April 2010	14,725	53,591	**68,316**
Transfers	46		**46**
Revaluation increases/decreases to Revaluation Reserve	1,013		**1,013**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(845)		**(845)**
At 31 March 2011	**14,939**	**53,591**	**68,530**
Accumulated Depreciation and Impairment			
Opening balance at 1 April 2010	(538)		**(538)**
Depreciation Charge	(183)		**(183)**
Depreciation written out to Revaluation Reserve	187		**187**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	216		**216**
At 31 March 2011	**(318)**	**0**	**(318)**
Net book Value at 31 March 2011	**14,621**	**53,591**	**68,212**
Net book Value at 1 April 2010	14,187	53,591	67,778

36. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £3.257m (£0.615m in 2009/10).

37. Pensions

The Council participates in two pension schemes, the details of which are set out in the Statement of Accounting Policies.

Teachers

In 2010/11, the Council paid £11.3m to the Department for Education (£11.0m in 2009/10) in respect of teachers' pension costs, which represented 14.1% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded as discretionary benefits, together with the related increases. In 2010/11 these amounted to £1.2m (£1.3m in 2009/10), representing 1.50% of pensionable pay (1.63% in 2009/10)

Other Employees

In 2010/11, the Council paid an employer's contribution of £15.3m into the Greater Manchester Pension Fund (£14.5m in 2009/10), representing 14.7% of pensionable pay (13.9% in 2009/10). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2010/11 these amounted to £0.83m (£0.84m in 2009/10), representing 0.80% of pensionable pay (0.81% in 200910)

Further information can be found in the Greater Manchester Pension Fund's *Annual Report* which is available upon request from Tameside Metropolitan Borough Council, Concord Suite, Manchester Road, Droylsden, Tameside, M43 6SF, or at their web site www.gmpf.org.uk.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing SMBC liabilities in the Greater Manchester Pension Fund by £77.200m and has been recognised as a past service gain, in the Non-distributed costs line of Cost of Services, in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

The costs of retirement benefits are recognised in Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Comprehensive Income and Expenditure Statement in the year in respect of Defined Benefit Schemes, including unfunded Teachers' discretionary benefits:

	2010/11	2009/10
Comprehensive Income and Expenditure Statement	**£000**	£000
Cost of Services and Surpluses on Trading Organisations:		
- current service cost	**20,100**	10,700
- past service costs	**(76,100)**	300
- gains and losses on curtailments	**1,200**	2,400
Net Operating Expenditure:		
- interest cost	**41,700**	34,200
- expected return on assets in the scheme	**(35,800)**	(24,100)
Net Charge to CIES	**(48,900)**	23,500
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	48,900	(23,500)
Actual amounts charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the fund	**15,100**	14,600
- Retirement Benefits payable to pensioners	**2,100**	2,100
Movement on pensions reserve	**66,100**	(6,800)

Actuarial Gains & losses of £109.2m gain are recognised in the Comprehensive Income & Expenditure Statement.

The current service cost takes account of the removal of the Rule of 85 for new members from 1 October 2006 to the extent that any such new entrants were included in the membership data for the formal valuation at 31 March 2010. No allowance is made for the effect of the abolition of the Rule of 85 for new entrants since 31 March 2010 as, on the advice of the actuary, there is insufficient information available to enable this adjustment to be performed and it is unlikely to be material.

An allowance has been made for the following:

- 50% of future retirements to elect additional tax free cash up to HMRC limits;
- life expectancy improvements up to calendar year 2033 for non-pensioners and 2017 for pensioners;

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2011 and they are set out as follows:

	Greater Manchester Pension Fund		Teachers' Discretionary Benefits		**Total**	Total
	31 March 2011 £000	31 March 2010 £000	**31 March 2011 £000**	31 March 2010 £000	**31 March 2011 £000**	31 March 2010 £000
Estimated employers' assets	**547,200**	519,200	**0**	0	**547,200**	519,200
Present value of scheme liabilities	**(650,300)**	(794,500)	**(17,700)**	(20,800)	**(668,000)**	(815,300)
Net Pension Asset/(Liability)	**(103,100)**	(275,300)	**(17,700)**	(20,800)	**(120,800)**	(296,100)

Reconciliation of Defined Benefit Obligation

	Total 2010/11 £000	**LGPS 2010/11 £000**	**Teachers 2010/11 £000**	Total 2009/10 £000	LGPS 2009/10 £000	Teachers 2009/10 £000
Opening Defined Benefit Obligation	**815,300**	**794,500**	**20,800**	500,600	484,700	15,900
Service Cost	**20,100**	**20,100**		10,700	10,700	
Interest cost on pension scheme liabilities	**41,700**	**40,600**	**1,100**	34,200	33,100	1,100
Employer Contributions MEMBERS	**6,700**	**6,700**		6,800	6,800	
Contributions Re Unfunded Benefits	**0**	**0**		0	0	0
Actuarial gains & losses	**(116,900)**	**(115,000)**	**(1,900)**	290,300	285,200	5,100
Benefits Paid	**(24,000)**	**(22,700)**	**(1,300)**	(21,600)	(20,300)	(1,300)
Past Service Cost	**(76,100)**	**(75,100)**	**(1,000)**	300	300	
(Loss) /gains on curtailments	**1,200**	**1,200**		300	300	
Liabilities Extinguished on settlements	**0**	**0**		(6,300)	(6,300)	
Closing Defined Benefit Obligation	**668,000**	**650,300**	**17,700**	815,300	794,500	20,800

The liabilities as at 31 March 2011 are based on the current benefit structure of the LGPS.

Reconciliation of fair value of the scheme assets

	2010/11	2009/10
	£000	£000
Opening Fair Value of Employer Assets	**519,200**	388,000
Expected rate of return	**35,800**	24,100
Actuarial gains & losses	**(7,700)**	113,600
Assets distributed on settlements	**0**	(8,400)
Employer Contributions	**15,900**	15,400
Contributions by Members	**6,700**	6,800
Benefits paid	**(22,700)**	(20,300)
Closing Fair Value of Employer Assets	**547,200**	519,200

The net pension liability for the Greater Manchester Pension Fund at 31 March 2011 includes a £10.8m liability in respect of unfunded pensions payments (31 March 2010 £12.4m liability).

The amount owing to the Teachers Pension Scheme at 31st March 2010 was £1.27m, (31 March 2010 £1.30m) representing March 2011 contributions.

The last formal actuarial valuation of the Greater Manchester Pension Fund was undertaken as at 31 March 2010. This was carried out in accordance with the statutory requirements. The aim of the triennial valuation is principally to balance the objectives of stability of contributions and ensuring the solvency of the fund. At subsequent year ends the actuary performs an annual assessment which is an update of the formal valuation to reflect current conditions. These annual assessments form the basis of the balances reflected in the Statement of Accounts in accordance with IAS 19. The IAS 19 valuations do not determine the contributions that the Council needs to pay into the fund, these are set by the triennial actuarial valuations. However, the IAS 19 results can give an indication of the expected movement of the position of the fund between triennial valuations.

Liabilities in the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, actuaries to the pension fund.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £120.8m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit in Greater Manchester Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover teachers' discretionary benefits when they are actually paid.

The main assumptions used in their calculations are set out below:

	Assumptions as at 31 March 2011 % per annum	Assumptions as at 31 March 2010 % per annum
Rate of inflation	**2.8**	3.8
Rate of increase in salaries	**4.3***	5.3
Rate of increase in pensions	**2.8**	3.8
Rate for discounting scheme liabilities (actual)	**5.5**	5.5
Rate for discounting scheme liabilities (real)	**2.0**	1.7
Take up of option to convert annual pension into retirement grant	**50.0**	50.0
Expected Return on Assets	**6.6**	6.9

* Salary increases are 1% p.a. nominal for three years to 31 March 2011, 2012 and 2013 reverting to 4.3% thereaf

Mortality - Average future life expectancies at age 65;

	Assumptions 31 March 2011	Assumptions 31 March 2010	**Assumptions 31 March 2011**	Assumptions 31 March 2010
	Males	Males	**Females**	Females
Current Pensioners	**20.1 years**	20.8 years	**22.9 years**	24.1 years
Future Pensioners	**22.5 years**	22.8 years	**25.0 years**	26.2 years

The pensions reserve represents the movements in the pensions liability/asset which is reflected in the Balance Sheet, as required by Financial Reporting Standard 17 "Retirement Benefits".

	Total 2010/11	Total 2009/10
	£000	£000
Balance at beginning of year	**296,100**	112,600
Appropriations to/from revenue:		
- GMPF - Teachers' discretionary }	**(66,100)**	6,800
Actuarial loss/(gain) relating to pensions	**(109,200)**	176,700
Balance at end of year	**120,800**	296,100

Assets in the Greater Manchester Pension Fund are valued at fair value, and consist of equities, bonds, property and cash. The table below sets out the value and proportion of assets held in the said classes together with the expected rate of return per annum:

Assets (Employer)	**2010/11** Long Term Returns %	Assets at 31 March 2011 £000	Proportion 31 March 2011 %
Equities	**7.5**	**361,100**	**66.0**
Bonds	**4.9**	**93,000**	**17.0**
Property	**5.5**	**27,400**	**5.0**
Cash	**4.6**	**65,700**	**12.0**
		547,200	**100.0**

Assets (Employer)	2009/10 Long Term Returns %	Assets at 31 March 2010 £000	Proportion 31 March 2010 %
Equities	7.8	347,800	67.0
Bonds	5.0	83,100	16.0
Property	5.8	31,200	6.0
Cash	4.8	57,100	11.0
		519,200	100.0

Scheme History

The history of experience gains and losses can be analysed as follows:

Greater Manchester Pension Fund

	Year to 31 March 2011 £000	Year to 31 March 2010 £000	Year to 31 March 2009 £000	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Fair Value of Employer Assets	**547,200**	519,200	388,000	465,100	477,500
Present Value of Liabilities	**(650,300)**	(794,500)	(484,700)	(492,900)	(550,600)
Surplus / (Deficit)	**(103,100)**	(275,300)	(96,700)	(27,800)	(73,100)
Experience Gains / (Losses) on Assets	**(7,700)**	113,600	(110,500)	(43,800)	1,700
As percentage of Present Value of Assets	**(1.4%)**	21.9%	(28.5%)	(9.4%)	0.4%
Experience Gains / (Losses) on Liabilities	**36,100**	(700)	-	2,300	(600)
As percentage of Present Value of liabilities	**5.6%**	(0.1%)	-	0.5%	(0.1%)

Teachers Unfunded Liabilities

	Year to 31 March 2011 £000	Year to 31 March 2010 £000	Year to 31 March 2009 £000	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Fair Value of Employer Assets					
Present Value of Liabilities	**(17,700)**	(20,800)	(15,900)	(16,700)	(16,000)
Surplus / (Deficit)	**(17,700)**	(20,800)	(15,900)	(16,700)	(16,000)
Experience Gains / (Losses) on Assets	-	-	-	-	-
Experience Gains / (Losses) on Liabilities	**1,500**	(2,100)	(100)	(1,500)	(1,500)
As percentage of Present Value of liabilities	**8.5%**	(10.1%)	(0.6%)	(9.0%)	(9.4%)

38. Contingent Assets and Liabilities

VAT Appeals

There is a VAT refund appeal outstanding regarding Leisure Services income streams with HM Revenue and Customs. The appeal is in connection with the 'window' created by a House of Lords judgement (the "Fleming Conde Nast case"). Guidance was sought from specialist consultants, who were employed on normal commercial terms – no win, no fee and a percentage of any successful outcomes.

If successful, this appeal could lead to exceptional income in excess of £0.500m, including interest as well as the refund of the VAT paid over.

Modesole Ltd

Modesole Ltd, (formerly GM Property Trust) was the holding company for the ten Greater Manchester districts interest in the Midland Hotel & Conference Centre Ltd and G-Mex Ltd. (formerly Central Station Properties Ltd). Modesole Ltd was 100% owned by the ten districts. On the 9 August 2005, the Council sold its entire 11.3% shareholding in Modesole Ltd.

As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel and Conference Centre, a liability may arise, the extent of which cannot yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

Municipal Mutual Insurance

In January 1994 the Council's then insurer, Municipal Mutual Insurance (MMI), made a scheme of agreement with its creditors. Under this scheme claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a claw back clause will be triggered which could affect claims already paid. As at 31 March 2011 £1.062m of claims had already been paid (£1.011m at 31 March 2010), with outstanding claims of £0.182m (£0.356m at 31 March 2010)

The Greater Manchester Council's (GMC) former insurer was also MMI. As at 31 March 2011 £10.7m of claims relating to GMC had already been paid (£10.7m at 31 March 2010), with outstanding claims estimated at £0.025m (£0.1m at 31 March 2010)

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30th June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Stockport's share of this liability is presently 10.88%. Therefore Stockport's share of the ex GMC claims paid and outstanding at 31 March 2011 are £1.167m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. The litigation case is currently being considered by the Supreme Court.

At the present time it is not known whether the claw back clause will be invoked, and therefore no provision for the potential liability has been made in the balance sheet.

Single Status

Under Equal Pay legislation employees may lodge claims for compensation from their employer for failing to give equal pay for work of equal value. During 2006/08 offers of compensation were made and accepted by employees and the cost of these payments and the associated Tax and National Insurance liabilities has been charged to the accounts. A provision has been made in the balance sheet to cover any potential future costs of known Equal Pay claims. Other claims may be made but the Council believes it has no further liability other than the provisions it has made within its Medium Term Financial Plan.

Metrolink

The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach.

Within the agreement the DFT contribution is capped at £244m in cash and the PTA/E and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if it is exceeded. Strict Monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

Pensions

The Council is the guarantor to a number of organisations with respect to pensions. The Council has agreed to keep under assessment, taking account of actuarial advice, the level of risk arising on premature termination of the organisations by reason of insolvency, winding up or liquidation. If one of the organisations fails to pay any sum payable in respect of the pension liability, then the Council will pay on demand all sums remaining unpaid and will indemnify the Administering Authority against all losses, damage costs and expenses arising or incurred by the Administering Authority as a result of the default.

39. Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

Credit Risk: the possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk: the possibility that the Council might not have funds available to meet its commitments to make payments;

Refinancing Risk: the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market Risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 25/02/10 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £398.9m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £382.35m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £385.35m and £114.705m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at note 13c.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices TMPs) covering specific areas, such as interest rates risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Council's management of treasury risks actively works to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Treasury Management Code of Practice 2009 and has created and maintained a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of it's treasury management activities and Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will monitor and control those activities.

Treasury Management Policy Statement

The Council defines its treasury management activities as:

'The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of **achieving value for money** in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's full Treasury Management Policy Statement and Treasury Management Practices are available to view on request.

Managing Treasury Management Risks

The Council embodies within its business & service planning processes the means by which it can identify treasury management risks and is familiar with and has implemented methods by which those risks can be successfully managed and contained. The Council believes that in by doing so it is treating the subject of risk management with sufficient priority.

In order that the Council manages and contains its risks successfully, it has identified what its risks are and considered to what extent it is able and prepared to suffer the consequences of those risks impacting adversely on its finances. To the extent that it is unable or unprepared to bear those consequences, it has sought to protect itself against that eventuality.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

The risk is minimised through the Annual Investment Strategy which affirms that the effective management and control of risk are prime objectives of the Council's treasury management activities.

The Council has well documented records of the standing of counterparties it does or may deal with, and continuous access to independent sources of advice and information on the same

- The Council needs to be alert to the prospect of the counterparties they deal with being unable or unwilling to fulfil their contractual responsibilities, especially as a result of failure to maintain their credit status. This applies not only to contracts relating to capital financing and investment, but also to outsourcing.

- The Council clearly specifies the following minimum credit limits of its counterparties. These are monitored regularly through the main rating agencies for both the institution and the country of investment. The Council is aware of the differences in how they are rated, what is being measured by each agency and any forward-looking rating warnings.

- The Council has a sound diversification policy with high credit quality counterparties, covering both commercial lenders and borrowers the Council may deal with. Such a policy is needed to prevent over reliance on a small number of counterparties and considers country, sector and group limits.

- Know your counterparty is a key principle; the Council does not rely on credit ratings alone for their understanding of counterparties. Credit ratings remain a key source of information but it is recognised that they do have limitations. The Council has regard to the ratings issued by both FITCH, Moodys & Standard & Poor. Ratings are kept under regular review and 'ratings watch' notices acted upon.

- Credit ratings are used as a starting point when considering credit risk. The Council also makes use of generally available market information, such as the quality financial press, market data, information on government support for banks and the credit ratings of that government support.

As part of its business or service planning processes, the Council has established clear policies on:

Use of credit risk analysis techniques
Diversification
Credit criteria used for creating/managing approved counterparty lists/limits
Approved methodology for changing limits & adding/removing counterparties
Country, sector and group listing of counterparties and the overall limits applied to each, where appropriate
Details of credit rating agencies' services and their application and description of overall approach to collecting and using information other than credit ratings for counterparty risk assessment

Specific credit criteria in respect of financial assets held by this authority at the balance sheet date are detailed specifically in the Treasury Management Policy Statement and Annual Investment Strategy.

The full investment strategy for 2010/2011 was approved by Council on 25/02/10 and is available on the Council website.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience of default and uncollectability adjusted to reflect current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Deposits with Banks & other Financial Institutions	Trade Debtors
Amounts as at 31 March 2011 (£000)	**31,439**	**8,187**
Historical Experience of Default	**0**	**11.02%**
Historical experience adjusted for market conditions as at 31 March 2009	**0**	**11.02%**
Estimated maximum exposure to default & uncollectability (£000)	**0**	**902**
Amounts as at 31 March 2010 (£000)	33,675	17,814
Historical Experience of Default	0	9.85%
Historical experience adjusted for market conditions as at 31 March 2008	0	9.85%
Estimated maximum exposure to default & uncollectability (£000s)	0	1,754

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £2.908m of the £8.187m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011	31 March 2010
	£000s	£000s
Less than one month	5,279	12,516
One to three months	1,109	1,740
Three to six months	528	695
Six months to one year	369	1,109
More than one year	902	1,754
Total	**8,187**	17,814

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy Reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity structure of financial liabilities (excluding amounts due to customers) is as follows (at nominal value):

On 31 March 2011	**Loans Outstanding**	On 31 March 2010
£000s		£000s
267,258	Public Works Loans Board	234,491
77,500	Market debt	67,500
6,994	Temporary borrowing	20,753
28	Local bonds	28
351,780	**Total**	322,772
7,397	Less than 1 year	22,999
441	Between 1 and 2 years	403
11,274	Between 2 and 5 years	6,949
32,005	Between 5 and 10 years	26,758
300,663	More than 10 years	265,663
351,780	**Total**	322,772

In the more than 10 years category there are £47.5m of LOBOs which have a call date in the next 12 months.

(c) Refinancing & Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. The Council therefore has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that there is a reasonable spread in the maturity periods for borrowing and the value of loans due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy on 25.02.10):

	Approved minimum limits	Approved maximum limits	Fixed 31.03.11	Variable 31.03.11	% Fixed	Fixed 31.03.10	Variable 31.03.10	% Fixed
	%	%	£000	£000	%	£000	£000	%
Less than 1 year	0%	25%	7,103	294	2.0%	22,671	328	7.0%
Between 1 and 2 years	0%	25%	441		0.1%	403		0.1%
Between 2 and 5 years	0%	25%	11,274		3.2%	6,949		2.2%
Between 5 and 10 years	0%	35%	32,005		9.1%	26,758		8.3%
More than 10 years	50%	100%	300,663		85.6%	265,663		82.4%
Total			351,486	294	100%	322,444	328	100%

(d) Market Risk

The Council is exposed to interest rate movements on its borrowing and investments and to interest rate risk in two different ways; the first being the uncertainty of interest paid & received, and the second being the effect of fluctuations in interest rates on the fair value of an instrument. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in variable and fixed interest rates would have the following effects:
  Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

  Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

  Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;

  Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances); and

  interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The treasury management team therefore work to an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31.03.11 £000	31.03.10 £000
Increase in interest payable on variable rate borrowings	545	683
Increase in interest receivable on variable rate investments	(124)	(69)
Increase in Government grant receivable for financing costs (HRA)	0	0
Impact on Surplus or Deficit on the Provision of Services	**421**	614
Share of overall impact debited to the HRA	23	29
Decrease in fair value of fixed rate investment assets	26	178
Impact on Other Comprehensive Income and Expenditure	**26**	178
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	44,150	44,171

Short-term borrowing has been included in the increase in interest payable for variable rate borrowing, despite being at fixed rates; this is due to the short-term nature of the borrowing that would effectively be subject to being replaced at higher rates and therefore increase the interest payable.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note - Fair Value of Assets and Liabilities at Amortised Cost.

Price Risk

The Council does not generally invest in equity shares but in common with all Greater Manchester Districts have a 5% share holding in Manchester Airport plc (except Manchester City Council which holds 55%). As there is no active market for this holding the shares are shown at the Balance Sheet date at £10.214m being cost less impairment. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of specific shareholdings.

The Council does not currently hold any investments in quoted equity shares or in other equity shares where there is an active market. The Council's only shareholdings are in unquoted companies with no active equity market. Shares are measured on a historical cost basis less any impairment. The Council is not currently exposed to any market price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

40. Publicity

The Council is required by section 5(1) of the Local Government Act 1986 to keep a separate account of its expenditure on publicity. The expenditure is included in the Income and Expenditure Account but separately identified in this note.

	2010/11	2009/10
	£000	£000
Salaries and wages	**683**	652
Recruitment advertising	**253**	233
Other advertising	**198**	267
	1,134	1,152

41. Investments

Long Term Investments

The long term investments are shown in the Balance Sheet as follows:

	Balance at 31 March 2010	Balance at 31 March 2010
	£	£
Manchester Airport PLC	**10,214,002**	10,214,002
Loans to Banks	**0**	11,290,082
Stockport Homes Limited	**0**	0
Solutions SK Limited	**2**	2
Individual Solutions SK Limited	**1**	1
NPS Stockport Limited	**2**	2
	10,214,007	21,504,089

Manchester Airport PLC

The principal activity of Manchester Airport PLC is the operation and development of Manchester International Airport. The Council's holding in the company is 10.214m £1 shares, which represents 5% of the company. Manchester City Council has 55% of the share capital with the other eight Greater Manchester districts having 5% each.

Fair value of this investment cannot be measured reliably as the range of reasonable estimates is significant and the probabilities of the various estimates cannot reasonably be assessed. The investment is therefore shown at historic cost in accordance with the Code of Practice.

At the year ended 31 March 2011 the accounts showed the company had net assets of £****m (£769.1 m at 31st March 2010); profit before tax in 2010-11 was £****m (£45.6m in 2009-10) and the profit/loss after tax was £****m (profit of £36.9m in 2009-10). The Council received a dividend in 2010-11 of £1.0m relating to the Airport's 2009-10 results (£1.0m in 2009-10 relating to the 2008-09 results). The Airport's Board of Directors recommended to the Annual General Meeting of Manchester Airport Group plc a dividend of £****m relating to the 2010-11 results (£20.0m relating to the 2009-10 results). This proposed dividend has not been included as a liability in the financial statements of Manchester Airport plc as it has not yet been approved by the shareholders. If approved, a dividend payment to the Council of £****m in 2011-12 will be received in August 2011 (£1.0m received in 2010-11). Further information may be obtained from Marketing Communications, Manchester Airport PLC, Manchester, M22 5GJ.

Stockport Homes Limited

Stockport Homes Limited is wholly-owned by the Council and is a company limited by guarantee. The company is an ALMO (arms-length management organisation) of the Council and its principal activities are to manage and maintain the housing stock of the Council. It commenced trading on 1 October 2005 and has been accounted for on the acquisition basis.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Solutions SK Limited

Solutions SK Limited is wholly-owned by the Council and was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. It commenced trading on 1 November 2006 and has been accounted for on the acquisition basis.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Individual Solutions SK Limited

Individual Solutions SK Limited is wholly-owned by the Council and was formed to take over the responsibility for providing Domiciliary Support, Community Meals and the delivery of day services in order to assist member of the public to live independently within the community. It commenced trading on 1 July 2009 and has been accounted for on the acquisition basis.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

NPS Stockport Ltd

NPS Stockport Ltd was established as a joint venture company to provide property service for the Council. It is a company limited by guarantee which was incorporated on 16 August 2006 and commenced trading on 1 November 2006. NPS Stockport Ltd is an independent organisation but works in partnership with the Council to develop mutual

property strategic aims and objectives. Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Short Term Investments

Short term investments as at 31 March 2011 were £17.0m (£12.8m at 31 March 2010). These relate to in-house investments with institutions listed in the Council's approved lending list. The Council invests for a range of periods, from overnight to 364 days, dependent on cash flows, liquidity, interest rate views and consistency with financial plans.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2010/11	2009/10	
	£000	£000	*Note*
INCOME			
Dwelling rents	**(34,034)**	(32,993)	
Other Rents	**(717)**	(731)	
Charges for services and facilities	**(6,743)**	(6,908)	*13*
Subsidy receivable	**(105)**	0	*9*
Total Income	**(41,599)**	(40,632)	
EXPENDITURE			
Repairs and maintenance	**12,793**	14,458	
Supervision and management	**10,615**	8,387	
Rents, rates, taxes and other charges	**3,878**	3,812	*13*
Rent rebates	**0**	0	
Subsidy payable	**0**	668	*9*
Bad or doubtful debts	**225**	224	
Depreciation of fixed assets	**5,995**	7,333	*8*
Revaluation losses of fixed assets	**93,070**	9,958	*12*
Debt management costs	**54**	52	
Total expenditure	**126,630**	44,892	
Net Cost of HRA Services per Authority Comprehensive Income and Expenditure Statement	**85,031**	4,260	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Cost of HRA Services	**85,159**	4,388	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Loss/(gain) on the sale of HRA fixed assets	**450**	506	
Interest payable and similar charges	**5,917**	4,912	*7*
Amortisation of premiums and discounts	**0**	0	
Interest and investment income	**(429)**	(780)	
Pensions interest cost and expected return on pensions assets	**0**	0	
DEFICIT FOR THE YEAR ON HRA SERVICES	**91,097**	9,026	

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2010/11 £000	2009/10 £000
Deficit for the year on the HRA Income and Expenditure Account	**91,097**	9,026
Additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**(91,478)**	(9,568)
Decrease/ (Increase) in the Housing Revenue Account Balance	**(381)**	(542)
Housing Revenue Account Surplus brought forward	**(1,408)**	(866)
Housing Revenue Account Surplus carried forward	**(1,789)**	(1,408)

1 Note to the Statement of Movement on the HRA balance

	2010/11 £000	2009/10 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Difference between amortisation of premiums and discounts determined in accordance with Accounting Standards and those determined in accordance with statute	**135**	166
(Loss)/gain on sale of HRA assets	**(450)**	(506)
Revaluation losses on HRA assets	**(93,070)**	(9,958)
Net charges made for retirement benefits in accordance with IAS 19	**(13)**	11
	(93,398)	(10,287)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	**1,598**	247
Transfer to/(from) Earmarked Reserves	**(84)**	30
Voluntary set aside for debt repayment	**406**	442
	1,920	719
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**(91,478)**	(9,568)

2 Housing Stock Numbers & Valuation

	Numbers at 31 March 2011	Numbers at 31 March 2010
HOUSING STOCK		
Houses	**4,969**	4,980
Flats	**5,987**	5,990
Bungalows	**513**	513
Sub-total dwellings	**11,469**	11,483
Garages	**1,233**	1,331
Total Housing Stock	**12,702**	12,814
OTHER PROPERTIES		
Shops	**43**	43

	Valuation at 31 March 2011 £000	Valuation at 1 April 2010 £000
Operational assets:		
Housing Stock Valuation	**228,338**	288,924
Land Valuation	**58,538**	70,674
	286,876	359,598
Other land and buildings	**4,517**	3,269
Leasehold improvements	**560**	641
Non-operational assets:		
Other property	**5,338**	5,338
	297,291	368,846

Valuation of operational property is net of depreciation.

Housing stock and land valuations are included together as Council Dwellings on the Balance Sheet.

The method of valuation is set out in the accounting policies and in Note 11 to the Core Statements.

3 Vacant Possession Value

The vacant possession value as at 31 March 2011 was £819.644m (£749.164m as at 1 April 2010). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that council dwellings have sitting tenants enjoying sub-market rents and rights including right to buy. The adjustment factor measures the difference between market and sub-market rents at a regional level and is set out in the "Guidance for Valuers on Stock Valuation for Resource Accounting 2010". For 2010/11 the percentage applicable is 35%, compared to the percentage previously in use since 2005 of 48%. The decrease is primarily due to an increase in differential in yields between the public and private sector, to reflect the additional risk and liability that public sector landlords undertake when compared with private investors. As detailed in note 12, this has resulted in a lower council dwelling valuation and a subsequent revaluation loss which has been reflected in the 2010/11 Statement of Accounts.

4 Major Repairs Reserve

This reserve is to account for the allowance received through the subsidy mechanism for repairs to properties.

	£000
Opening Balance 1 April 2010	**(193)**
Transfer from Capital Adjustment Account	**(5,995)**
Transfers from Housing Revenue Account	**(1,835)**
	(8,023)
Financing of debt repayment	**236**
Expenditure financed from reserve - houses	**7,787**
Closing Balance at 31 March 2011	**0**

5 Capital Expenditure and Financing

Capital expenditure in the year amounted to £25.398m on council dwellings including spend in assets under construction. This was financed as follows:

	2010/11	2009/10
	£000	£000
Borrowing	**17,511**	27,024
Grants and contributions	**100**	77
Major Repairs Reserve	**7,787**	7,580
Capital expenditure	**25,398**	34,681

6 Capital Receipts

Since 1 April 2004, the reserved part of capital receipts is paid directly to central government.

	Receipts 2010/11 £000	**Reserved £000**	**Not Reserved £000**	Receipts 2009/10 £000
House sales	**989**	**742**	**247**	546
Shop sales	**0**	**0**	**0**	0
Discounts repaid	**18**	**13**	**5**	32
Mortgage repayments	**21**	**16**	**5**	21
Legal Services	**(8)**	**(6)**	**(2)**	(5)
Estate Charges	**(2)**	**(2)**	**0**	(2)
Improvement Costs	**(58)**	**(43)**	**(15)**	(91)
	960	**720**	**240**	501

7 Interest payable and similar charges

	2010/11	2009/10
	£000	£000
Statutory interest charge	**5,879**	4,863
Interest on deferred purchase scheme	**38**	49
	5,917	4,912

The statutory interest chargeable to the HRA is determined by Local Government and Housing Act 1989 (the "item 8" calculation.)

8 Depreciation

The HRA is charged an amount for depreciation of assets.

	2010/11	2009/10
	£000	£000
Operational assets		
Council dwellings	**5,887**	7,200
Other land and buildings	**28**	53
Plant and equipment (leasehold improvements)	**80**	80
Total	**5,995**	7,333

9 Housing Subsidy

	2010/11	2009/10
	£000	£000
Rent	**33,648**	32,872
Interest on receipts	**5**	8
Management allowance	**(6,470)**	(6,175)
Maintenance allowance	**(12,104)**	(11,822)
Major repairs allowance	**(7,830)**	(7,869)
Charges for capital	**(7,329)**	(6,308)
Other items of reckonable expenditure	**(25)**	(38)
Rent constraint allowance	**0**	0
Sub-total housing element	**(105)**	668
Prior Year Adjustments	**0**	0
Total Housing subsidy	**(105)**	668

10 Rent Arrears

As at 31 March 2011 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £1.828m (£2.512m at 31 March 2010). The aggregate balance sheet provision in respect of all uncollectable debts amounted to £1.183m (£1.220m at 31 March 2010). The increase in provision of £0.008m has been added to from the debts written off in the year of £0.217m to arrive at the bad and doubtful debt charge of £0.225m.

11 IAS 19 Employee Benefits

The Housing Revenue Account recognises, within Net Cost of Services, a share of the full IAS 19 costs borne by the Council for defined benefit pension schemes. These costs, comprising current service costs, have been allocated via corporate recharges. To ensure that the costs have no impact on the net deficit or on the level of rents, the charges are reversed out of the Housing Revenue Account via an appropriation from the Statement of Movement on the HRA balance.

12 Revaluation Loss of fixed assets

The revaluation loss charge calculated under proper practices is £93.070m (2009/10 £9.958m) of which £93.045m relates to council dwellings (including land) and £0.025m relates to other land and buildings. Most of this charge has resulted from the change in social housing adjustment factor in 2010/11 from 48% to 35%. HM land registry indices have resulted in only a 1% decrease in capital values during the year (4% increase in 09/10) and a charge has also arisen due to investment in council dwellings which has not resulted in a £ for £ increase in value.

13 Water charges collection

During 2009/10 the Council became responsible for collecting water charges from HRA tenants on behalf of United Utilities. Tenants' agreements have been amended accordingly. The income and expenditure are included in charges for services and facilities and rents, rates, taxes and other charges respectively. They include commission due from United Utilities to cover the costs of collection.

A contribution to the bad debt provision of £0.029m had been established in 2009/10 and there is no additional increase in provision in 2010/11 arriving at a provision for a bad debt provision of £0.029m as at 31st March 2011. The surplus arising from the collection of water charges of £0.172m in 2009/10 has been carried forward to 2010/11 and ring fenced within overall HRA available balances to develop new services to tenants, to be agreed by the Council in consultation with Stockport Homes.

		2010/11	2009/10
		£000	£000
Income			
Other		**(2,875)**	(2,913)
Water		**(3,868)**	(3,995)
	Charges for services & facilities	**(6,743)**	(6,908)
Expenditure			
Other		**10**	18
Water		**3,868**	3,794
	Rents, rates, taxes & other charges	**3,878**	3,812
Total			
Water charges surplus as above		**0**	(201)
Bad or doubtful debt provision relating to water charges		**0**	29
Water charges surplus		**0**	(172)
Water surplus brought forward		**(172)**	0
Water surplus carried forward		**(172)**	(172)

14 Restatement of Housing Revenue Account Statements

The 2009/10 HRA Statements have been restated to align them with the new IFRS code in the following respects:

- £3.269m of non-operational property has been reclassified as operational property.
- There has been a corresponding reclassification of depreciation of £0.053m from Deficit for the year for HRA Services to Net Cost of Services per Authority Comprehensive Income and Expenditure Statement.
- The grant amortisation credit of £0.069m in Income and £0.069m debit in the Statement of Movement on the HRA Balance have been eliminated, in line with the abolition of the grants deferred account.
- £0.634m of rental income for investment assets has been reclassified from Other Dwelling Rents to Interest and Investment Income.
- Loss on disposal of fixed assets and reversing adjustment have increased by £0.007m.

There has been no net effect on the HRA surplus for the year of £0.542m.

COLLECTION FUND ACCOUNT

	2010/11	2009/10	
	£000	£000	Note
INCOME			
Council Tax (net of benefits and other relief's)	**(134,554)**	(130,709)	*1*
Transfers from General Fund: benefits	**(21,841)**	(20,235)	
Non-Domestic Rates (net of provisions and relief)	**(81,816)**	(83,971)	*2*
Total Income	**(238,211)**	(234,915)	
EXPENDITURE			
Precepts and demands			
Stockport Metropolitan Borough Council	**135,621**	130,758	
Greater Manchester Police Authority	**14,355**	13,293	
Greater Manchester Fire and Civil Defence Authority	**5,237**	5,086	
Non-Domestic Rates:			
Payment to national pool	**81,385**	83,536	
Cost of collection	**430**	435	
Provision for bad and doubtful debts	**473**	361	
Contributions-Previous years surplus distribution			
Stockport Metropolitan Borough Council	**656**	0	
Greater Manchester Fire & Civil Defence Auth	**26**	0	
Greater Manchester Police Auth	**67**	0	
Total expenditure	**238,250**	233,469	
(SURPLUS)/DEFICIT FOR THE YEAR	**39**	(1,446)	
Accumulated deficit/ (surplus) at beginning of year	**(1,535)**	(89)	
Accumulated deficit/ (surplus) at end of year	**(1,496)**	(1,535)	

Disaggregation of Collection Fund Balance

Accumulated deficit at beginning of year:			
- Attributable to Council	**(1,346)**	(78)	
- Attributable to precepting authorities	**(189)**	(11)	
	(1,535)	(89)	
Surplus in the year:			
- Attributable to Council	**39**	(1,268)	
- Attributable to precepting authorities	**0**	(178)	
	39	(1,446)	
Accumulated deficit/ (surplus) at end of year:			
- Attributable to Council	**(1,307)**	(1,346)	
- Attributable to precepting authorities (within sundry creditors/debtors)	**(189)**	(189)	
	(1,496)	(1,535)	3

NOTES TO THE COLLECTION FUND ACCOUNT

1 Council Tax

Council Tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and precepting authorities for the forthcoming year and dividing this by the Council Tax base (i.e. the number of Band D equivalent dwellings). The Council Tax base for 2010/11 was 99,641 (99,459 in 2009/10) calculated as follows:

Band	Valuation	Dwellings on the Valuation List	Adjustable Chargeable Dwellings	Relevant Proportion	Band D Equivalent Dwellings
A	Up to £40,000	30,606	25,010	6/9	16,669
B	£40,001 to £52,000	27,062	23,405	7/9	18,204
C	£52,001 to £68,000	27,469	24,517	8/9	21,793
D	£68,001 to £88,000	18,740	17,066	9/9	17,066
E	£88,001 to £120,000	12,451	11,495	11/9	14,049
F	£120,001 to £160,000	5,962	5,564	13/9	8,037
G	£160,001 to £320,000	3,251	3,044	15/9	5,073
H	Over £320,000	174	134	18/9	267
					101,158
	Council Tax base, assuming a collection rate of 98.50%				**99,641**

"Valuation" represents the open market value at 1 April 1991, as assessed by the Inland Revenue.

"Adjusted chargeable dwellings" gives the effective number of dwellings in each band after allowing for disabled relief, appeals against bandings, single persons discounts etc.

2 National Non-Domestic Rates (NNDR)

The Council collects NNDR from ratepayers in its area on behalf of central government. The rateable value of each property, as assessed by the Valuation Office Agency, is multiplied by the Uniform Business Rate determined by the government. For 2010/11 this was 41.4p in the pound (48.5p in 2009/10), and relief of 0.7p in the pound was given for small hereditaments (0.4p in 2009/10). The Council pays the net income into a central pool administered by the Government, which then redistributes the sums paid into the pool back to local authorities' General Funds as part of the Formula Funding distribution.

Total non-domestic rateable value at 31 March 2011 was £237.752m (£236.708m at 31 March 2010).

3 Collection Fund Deficit/ (Surplus)

The year end (surplus)/ deficit are split by Stockport Metropolitan Borough Council and Preceptors are as follows:

	Surplus 2010/11	Surplus 2009/10
	£000	£000
Precepts and Demands		
Stockport Metropolitan Borough Council	**(1,307)**	(1,346)
Greater Manchester Police Authority	**(138)**	(137)
Greater Manchester Fire and Civil Defence Authority	**(51)**	(52)
Total Deficit/ (Surplus)	**(1,496)**	(1,535)

Surpluses or deficits on the Council Tax account are shared between the Council and the other precepting authorities in proportion to their budgets. The Council's share of any surplus or deficit is used to reduce or increase the level of Council Tax bills in later years.

The amounts transferred in respect of each year's surplus or deficit are based on an estimate made in January of that year and therefore do not directly relate to the balance shown in these accounts. Any difference between the estimate and outturn is taken into account when estimating the surplus or deficit for the following year.

Background

The Accounting Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the authority's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement

Please refer to the explanation of statements on page 2 for further description of the purpose of each statement.

The Stockport Council Group

The Council has relationships with a number of companies over which it has varying degrees of control and influence. The majority of these companies have not been included in the Group Accounts, and details of the Council's relationship with each of them are given below.

Bodies Consolidated

Four bodies, in addition to Stockport MBC, have been included in the Group Accounts; Stockport Homes Limited, Solutions SK Limited, Individual Solutions SK Limited and NPS Stockport Limited. Stockport Homes Limited, Solutions SK Limited and Individual Solutions SK Limited are wholly owned subsidiaries of Stockport MBC and have been accounted for on an acquisition basis. NPS Stockport Limited is an associate of Stockport MBC and has been accounted for on an equity basis.

Stockport Homes Limited was formed to take over the responsibility for managing and maintaining the Council's dwellings and became a wholly owned subsidiary of Stockport Council from 1st October 2005. It is an ALMO (arm's length management organisation) of the Council and is a company limited by guarantee. The liability of the Council is limited to £1. The Board comprises 4 Council Board members, 5 tenant Board members and 4 Independent members (13 in total).

Stockport Homes Limited was incorporated on 29 August 2002 and did not trade prior to 1st October 2005.

Stockport Homes Limited principal source of income is a management fee, paid by Stockport Council, for managing and maintaining the Council's housing stock. It is also paid a fee to operate the Homelessness Service.

Stockport Homes Limited made an operating surplus of £1.039m for the year ended 31st March 2011 which has been included within the Housing Services segment of Cost of Services in the Group Comprehensive Income and Expenditure Statement. The surplus on ordinary activities after taxation for the year was £4.044m and this amount is shown as part of Net Operating Expenditure in the Group Comprehensive Income and Expenditure Statement. At 31st March 2011, Stockport Homes Limited had net assets of £1.534m. This comprised stock, debtors, cash balances, creditors and pension's liability. The company held fixed assets worth £4.444m. This information has been extracted from the unaudited financial statements of Stockport Homes Limited.

During 2010/11, the management fee and other charges made to the Council by Stockport Homes Limited amounted to £26.275m. Outstanding balances owed by the Council to Stockport Homes Limited at the year-end amounted to £0.860m.

During 2010/11, the Council charged Stockport Homes Limited £3.814m for the provision of support services. Outstanding balances owed by Stockport Homes Limited to the Council at the year-end amounted to £2.394m this was made up of £0.354m of trade payables and a loan of £2.040m

Further information and details of the financial statements of Stockport Homes Limited may be obtained from the company secretary, 1 St Peter's Square, Stockport SK1 1NZ.

Solutions SK Limited was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. The company became a wholly owned subsidiary of Stockport Council from 1st November 2006. The Board comprises 2 Council representatives, 2 Council members, the company Managing Director and Finance Director, and a non-executive director, 7 in total. To support the Council's business objectives, a Contributor Committee has been established consisting of 4 members of the Council Executive and the Corporate Director of Business Services acting as advisor. The Contributor Committee appoints all directors.

On the date of commencement of trading the staff previously employed by the Council became employees of the company on their existing terms and conditions. Solutions SK Limited was incorporated on 13 June 2006 and did not trade prior to 1st November 2006.

Solutions SK Limited owned no assets at the date of acquisition and £2 consideration was paid by the Council. No fair valuation adjustments or goodwill have arisen.

Solutions SK Limited has a wholly owned subsidiary company; Waste Solutions SK Limited. This company collects waste and products for recycling in the Greater Manchester Area.

The Solutions SK Groups principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Limited.

The Solutions SK Group made an operating profit of £4.105m for the year ended 31st March 2011 which has been included within the Trading Organisations segment of Net Operating Expenditure in the Group Comprehensive Income and Expenditure Statement. The result for ordinary activities after taxation for the year was a profit of £4.066m and this is reflected in Net Operating Expenditure in the Group Comprehensive Income and Expenditure Statement. At 31st March 2011 Solutions SK Limited had net assets of £3.866m. This comprised fixed assets, stock, debtors, cash balances, creditors and pension's asset. This information has been extracted from the unaudited financial statements of Solutions SK Limited.

During 2010/11, the management fee and other charges made to the Council by Solutions SK Limited amounted to £0.39m (inc VAT). Outstanding balances owed by the Council to Solutions SK Limited at the year-end amounted to £1.22m.

During 2010/11 the Council charged Solutions SK Limited £2.16m (inc VAT) for the provision of support services. Outstanding balances owed by Solutions SK Limited to the Council at the year-end amounted to £8.44m this was made up of £6.54m of trade payables and a loan of £1.90m.

Further information and details of the financial statements of Solutions SK Limited may be obtained from the company secretary, Enterprise House, Oakhurst Drive, Off Bird Hall Lane, Cheadle Heath, Stockport SK3 0XT.

Individual Solutions SK Limited was formed to take over the responsibility for providing Domiciliary Support, Community Meals and the delivery of day services in order to assist member of the public to live independently within the community. The company became a wholly owned subsidiary of Stockport Council from 1 July 2009. The Board comprises 2 Council representatives, 2 Council members and the company Managing Director, 5 in total. The objectives of the company have been set in order to achieve the Councils Business objectives.

On the date of commencement of trading the staff previously employed by the Council became employees of the company on their existing terms and conditions. Individual Solutions SK Limited was incorporated on 1 July 2009 and did not trade prior to 1 July 2009.

Individual Solutions SK Limited owned no assets at the date of acquisition and £1 consideration was paid by the Council. No fair valuation adjustments or goodwill have arisen.

Individual Solutions SK Limited principal source of income is from fees and charges for services provided to Stockport Council

Individual Solutions SK Limited made an operating loss of £0.326m for the year ended 31st March 2011 which has been included within the Adult Social Care segment of Net Operating Expenditure in the Group Comprehensive Income and Expenditure Statement. The result for ordinary activities after taxation for the year was a profit of £1.040m and this is reflected in Net Operating Expenditure in the Group Comprehensive Income and Expenditure Statement. At 31st March 2011 Individual Solutions SK Limited had net assets of £2.478m. This comprised stock, debtors, cash balances, creditors and pension's assets. This information has been extracted from the unaudited financial statements of Individual Solutions SK Limited.

During 2010/11, the management fee and other charges made to the Council by Individual Solutions SK Limited amounted to £5,934k (inc VAT). During 2010/11 the Council charged Individual Solutions SK Limited £159k (inc VAT) for the provision of support services.

Outstanding balances owed by the Council to Individual Solutions SK Limited at the year end amounted to £57k.

Outstanding balances owed by Individual Solutions SK Limited to the Council at the year end amounted to £75k.

Further information and details of the financial statements of Individual Solutions SK Limited may be obtained from the company secretary, Enterprise House, Oakhurst Drive, Off Bird Hall Lane, Cheadle Heath, Stockport SK3 0XT

NPS Stockport Limited was formed to provide property services including architectural services, estate and planning services, surveying and asset management services. The company became an associate of Stockport Council on 1st November 2006. The Board comprises 2 Council representatives, the Chairman, the company Managing Director, and 2 representatives of the NPS Group, 6 in total. The liability of the Council is limited to £2.

It is a company limited by shares which was incorporated on 16 August 2006 and commenced trading on 1 November 2006. NPS Stockport Ltd works in partnership with the Council to develop mutual property strategic aims and objectives. The Company currently derives the majority of its turnover firm Stockport Council as part of 15-year partnership deal.

Stockport MBC has a 20% share in the company and this proportion of the company's results has been reflected in the group accounts. Payments of £4.585m were made in 2010/11 (2009/10 £5.610m), and income of £0.384m (2009/10 £0.240m) received. The amount owing from Norfolk Property Services Ltd at 31 March 2011 was £0.063m (31 March 2009 - £0.041m). The amount owing to Norfolk Property Services Ltd at 31 March 2011 was £0.052m (31 March 2010 - £0.184m).

NPS Stockport Limited made an operating profit of £0.947m for the year ended 31st January 2011, 20% of which has been included within the Share of Operating Results of Associates segment of Net Operating Expenditure in the Group Income and Expenditure Account. The profit on ordinary activities after taxation for the year was £0.703m and 20% of this result is reflected in Net Operating Expenditure in the Group Income and Expenditure Account. At 31 March 2011 NPS Stockport Limited had net liabilities of £0.848m. This comprised fixed assets, stock, debtors, cash balances, creditors, deferred taxation and pension liabilities. The amount disclosed as long term investments in the group balance sheet has been adjusted to reflect 20% of the movement in the company's net liabilities (£0.170m). This information has been extracted from the unaudited financial statements of NPS Stockport Limited.

Further information and details of the financial statements of NPS Stockport Limited may be obtained from Lancaster House, 16 Central Avenue, St Andrews Business Park, Norwich, Norfolk NR7 OHR.

Bodies not Consolidated

The following have not been consolidated in the Group Accounts:

Entity	Reason
Manchester Airport Group PLC	Minority Interest and group share not material.
Stockport Sports Trust	Simple investment, no control or dominant/significant influence.

Stockport Sports Trust

Stockport Sports Trust was established as a company to provide leisure and recreational facilities for the Stockport area. It is a company limited by guarantee, a non-profit distributing organisation with charitable status, which commenced trading on 1 April 2002. Stockport Sports Trust is an independent organisation from the Council but works in partnership with the Council to develop mutual strategic aims and objectives. It has therefore been treated in these accounts as a separate organisation. Further details of transactions and balances with the Trust are set out in Note 33 to the Core Financial Statements.

In the Trust's audited accounts to 31 March 2010 the company recorded a profit of £209k after IAS 19 charges (31 March 2009 profit of £319k after pension charges). The company had net assets at 31 March 2010 of £1,183k (£958k at 31 March 2009) before pension scheme liabilities, and net liabilities of £1,897k (£467k at 31 March 2009) after pension scheme liabilities.

Further information and details of the financial statements of Stockport Sports Trust may be obtained from the Secretary to the Board of Trustees, Broadstone Mill, Broadstone Road, Stockport, SK5 7DL.

Further details of these entities are provided in Note 41 to the Core Financial Statements.

GROUP MOVEMENT IN RESERVES STATEMENT

	Total Authority Reserves	Group Income and Expenditure Account	Total Group Reserves
	£000	£000	£000
Balance at 31 March 2009	(446,580)	1,523	(445,057)
Restatements	(78,175)	249	(77,926)
Balance at 1 April 2009	**(524,755)**	**1,772**	**(522,983)**
Movement in reserves during 2009/10:			
Surplus or (deficit) on provision of services	13,675	(2,629)	11,046
Other Comprehensive Income and Expenditure	161,915	19,944	181,859
Total Comprehensive Income and Expenditure	**175,590**	**17,315**	**192,905**
Adjustments between accounting basis & funding basis under regulations (Note 6 page 27)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	175,590	17,315	192,905
Transfers to/from Earmarked Reserves	0	0	0
Increase/Decrease in 2009/10	**175,590**	**17,315**	**192,905**
Balance at 31 March 2010 carried forward	**(349,165)**	**19,087**	**(330,078)**

	Total Authority Reserves	Group Income and Expenditure Account	Total Group Reserves
	£000	£000	£000
Movement in reserves during 2010/11:			
Surplus or (deficit) on provision of services	17,082	(10,624)	6,458
Other Comprehensive Income and Expenditure	(166,919)	(18,271)	(185,190)
Total Comprehensive Income and Expenditure	**(149,837)**	**(28,895)**	**(178,732)**
Adjustments between accounting basis & funding basis under regulations (Note 6 page 27)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(149,837)	(28,895)	(178,732)
Transfers to/from Earmarked Reserves	0	0	0
Increase/Decrease in 2010/11	**(149,837)**	**(28,895)**	**(178,732)**
Balance at 31 March 2011 carried forward	**(499,002)**	**(9,808)**	**(508,810)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2010/11			2009/10			Notes
	Gross Exp-enditure	**Gross Income**	**Net Exp - enditure**	Gross Exp-enditure	Gross Income	Net Exp-enditure	
	£000	**£000**	**£000**	£000	£000	£000	
Central services to the public	**29,471**	**(26,933)**	**2,538**	40,195	(37,775)	2,420	
Cultural, environmental, regulatory and planning services	**82,313**	**(19,640)**	**62,673**	74,951	(14,617)	60,334	
Education and children's services	**300,007**	**(241,627)**	**58,380**	285,252	(223,613)	61,639	
Highways and transport services	**49,023**	**(9,795)**	**39,228**	43,101	(6,855)	36,246	
Housing Services	**215,255**	**(124,202)**	**91,053**	127,087	(121,979)	5,108	
Adult social care	**123,391**	**(49,604)**	**73,787**	113,451	(39,223)	74,228	
Court Services	**1,176**	**(917)**	**259**	1,217	(980)	237	
Corporate and democratic core	**5,728**	**(444)**	**5,284**	6,057	(977)	5,080	
Non distributed costs	**1,485**	**(76,100)**	**(74,615)**	3,193	0	3,193	
Cost Of Services	**807,849**	**(549,262)**	**258,587**	694,504	(446,019)	248,485	6
Other Operating Expenditure	**1,292**	**0**	**1,292**	1,826	0	1,826	
Financing and Investment Income and Expenditure	**101,236**	**(89,147)**	**12,089**	93,002	(75,473)	17,529	
Taxation and Non-Specific Grant Income	**0**	**(265,423)**	**(265,423)**	0	(256,729)	(256,729)	
(Surplus) or Deficit on Provision of Services	**910,377**	**(903,832)**	**6,545**	789,332	(778,221)	11,111	
Share of (surplus) or deficit on the provision of services by associates		**(189)**	**(189)**		(47)	(47)	
Tax expenses of subsidiaries	**50**		**50**	14		14	
Tax expense/(income) of associates	**52**		**52**		(32)	(32)	
Group (Surplus)/Deficit	**910,479**	**(904,021)**	**6,458**	789,346	(778,300)	11,046	
Surplus of deficit on revaluation of Property, Plant and Equipment assets			**(57,719)**			(14,785)	
Actuarial gain /losses on pensions assets/liabilities			**(127,471)**			196,644	
Other Comprehensive Income and Expenditure			**(185,190)**			181,859	
Total Comprehensive Income and Expenditure			**(178,732)**			192,905	

GROUP BALANCE SHEET

		31 March 2011	Restated at 31.03.2010	Restated at 31.03.2009	Notes
Property, Plant & Equipment					
	- Council dwellings	**289,212**	361,628	344,445	
	- other land and buildings	**392,811**	342,041	343,130	
	- vehicles, plant, furniture and equipment	**19,788**	15,292	10,091	
	- infrastructure	**143,129**	133,000	126,881	
	- community assets	**5,451**	5,499	5,574	
	- surplus assets not held for sale	**13,904**	3,273	2,573	
	- assets under construction	**27,123**	29,809	15,188	
		891,418	890,542	847,882	4
Investment Property		**76,575**	59,347	59,112	
Intangible Assets		**2,126**	2,873	3,776	
Assets Held for Sale (long term)		**0**	1,200	1,507	
Long Term Investments		**10,044**	21,228	20,510	
Long Term Debtors		**9,656**	9,775	7,890	
Long Term Assets		**989,819**	984,965	940,677	
Short Term Investments		**17,037**	10,144	30,736	
Assets Held for Sale (short term)		**1,651**	457	1,920	
Inventories		**3,247**	3,886	3,338	
Short Term Debtors		**57,023**	65,790	50,538	2
Cash and Cash Equivalents		**13,298**	9,568	10,158	
Current Assets		**92,256**	89,845	96,690	
Short Term Borrowing		**(7,494)**	(23,153)	(36,146)	
Short Term Creditors		**(67,220)**	(65,701)	(65,742)	3
Current Liabilities		**(74,714)**	(88,854)	(101,888)	
Long Term Creditors		**(14,618)**	(16,035)	(15,396)	
Provisions		**(11,432)**	(10,368)	(12,110)	
Long Term Borrowing		**(348,546)**	(303,536)	(265,417)	
Other Long Term Liabilities					
	- Net pensions asset	**5,349**	0	146	5
	- Net pensions liability	**(121,972)**	(317,841)	(114,689)	5
	- Finance leases	**(837)**	(1,042)	(1,288)	
Capital Grants Receipts in Advance		**(6,495)**	(7,056)	(3,742)	
Long Term Liabilities		**(498,551)**	(655,878)	(412,496)	
Net Assets		**508,810**	330,078	522,983	
Usable reserves					
	- General Fund	**(10,112)**	(7,588)	(9,072)	
	- Earmarked reserves	**(38,640)**	(32,991)	(29,646)	
	- Housing Revenue Account	**(1,789)**	(1,408)	(866)	
	- Earmarked Housing Revenue Account reserves	**(21)**	(105)	(75)	
	- Capital Receipts Reserve	**0**	(2,211)	(2,279)	
	- Major Repairs Reserve	**0**	(193)	(192)	
	- Capital Grants Unapplied	**(5,319)**	(7,165)	(5,157)	
Unusable Reserves					
	- Revaluation Reserve	**(81,798)**	(25,210)	(11,363)	
	- Capital Adjustment Account	**(486,457)**	(571,267)	(583,562)	
	- Financial Instruments Adjustment Account	**988**	1,107	1,256	
	- Deferred Capital Receipts	**(351)**	(372)	(393)	
	- Pensions Reserve	**120,800**	296,100	112,600	
	- Collection Fund Adjustment Account	**(1,307)**	(1,346)	(78)	
	- Short-term Accumulating Compensated Absences Account	**5,004**	3,484	4,072	
	- Reserves (Group Income & Expenditure Account)	**(9,808)**	19,087	1,772	
	Total Reserves	**(508,810)**	(330,078)	(522,983)	

GROUP CASH FLOW STATEMENT

		31 March 2011 £'000		31 March 2010 £'000
Net (surplus) or deficit on the provision of services		**6,545**		11,111
Adjust net surplus or deficit on the provision of services for noncash movements				
Depreciation	**(30,740)**		(27,404)	
Impairment and downward revaluation	**(98,781)**		(26,713)	
Amortisations	**(844)**		(860)	
Increase/ (Decrease) in Impairment for provision of bad debts	**(77)**		1,167	
Decrease/ (Increase) in creditors	**(6,652)**		8,171	
Increase/ (Decrease) in debtors	**(7,822)**		14,618	
Increase/ (Decrease) in stock	**(639)**		548	
Pension liability	**73,712**		(6,752)	
Carrying amount of non-current assets sold	**2,132**		3,012	
Other non cash items charges to the net Surplus or Deficit on the Provision of Services	**(12,320)**		(18,743)	
		(82,031)		(52,956)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**37,323**		36,596
Net cash flows from Operating Activities *		**(38,163)**		(5,249)
Investing Activities (Note 7)		**67,154**		29,834
Financing Activities (Note 8)		**(32,721)**		(23,995)
Net (increase) or decrease in cash and cash equivalents		**(3,730)**		590
Cash and cash equivalents at the beginning of the reporting period		**9,568**		10,158
Cash and cash equivalents at the end of the reporting period		**13,298**		9,568

* The following items are included within the operating activities:

	31 March 2011 £000	31 March 2010 £000
Interest Received	(1,581)	(1,818)
Interest Paid	15,896	13,799
Finance lease interest paid	27	39
Dividends Received	(1,000)	(1,640)
Taxation	48	134
	13,390	10,514

NOTES TO THE GROUP ACCOUNTS

1 Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation, accounted for by the acquisition method, of the financial transactions and balances of the Council, Stockport Homes Limited, Solutions SK Limited and Individual Solutions SK Limited.
NPS Stockport Limited has been incorporated as an associate, using the equity method – the Council's investment in the company is incorporated at cost and adjusted each year by the Council's share of the company's results (recognised in the Group Comprehensive Income and Expenditure Statement) and its share of other gains and losses.

The financial statements in the Group Accounts are prepared in accordance with the policies set out in Note 1 to the accounts, Accounting Policies, with the following additions and exceptions:

Retirement Benefits
The employees of Stockport Homes, Solutions SK and Individual Solutions SK are members of the Greater Manchester Pension Fund. Accounting policies are consistent with the Council's. In addition, there are no transactions between the Group Comprehensive Income and Expenditure Statement and the Pensions Reserve in relation to movements in the net pensions asset or liability of Stockport Homes Limited, Solutions SK and Individual Solutions SK, such that the amounts debited and credited to the Account are reflected in the Group Comprehensive Income and Expenditure Statement.

2 Short Term Debtors - These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2011	Balance at 31 March 2010
	£000	£000
Central Government	**10,166**	10,537
Council Tax	**15,770**	15,983
Social Services clients	**4,122**	2,981
Housing rents	**1,072**	1,176
Car and other loans	**737**	377
Payments in Advance	**8,656**	7,039
Accrued & other miscellaneous income	**27,217**	38,491
	67,740	76,584
Provision for bad and doubtful debts	**(10,717)**	(10,794)
	57,023	65,790

3 Short Term Creditors - These include all amounts owing within 12 months of the balance sheet date:

	Balance at 31 March 2011	Balance at 31 March 2010
	£000	£000
Government Departments	**(9,749)**	(11,474)
Local Authorities	**(615)**	(41)
Capital Creditors	**(9,886)**	(11,929)
Sundry Creditors	**(32,543)**	(26,119)
Accruals	**(6,402)**	(9,930)
Receipts In Advance	**(2,778)**	(2,355)
Employees Accumulated Absences	**(5,247)**	(3853)
	(67,220)	(65,701)

4 Property, Plant and Equipment

Movement in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 1 April 2010	370,163	377,352	23,030	181,997	6,065	3,312	29,809	**991,728**
Additions	24,896	16,071	6,740	10,235			16,629	**74,571**
Revaluation increases/ decreases to Revaluation Reserve		37,056						**37,056**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	(101,574)	(9,743)						**(111,317)**
Impairment decreases to Surplus or Deficit on the Provision of Services		(49)						**(49)**
Derecognition - Disposals	(1,353)	(165)						**(1,518)**
Reclassifications & Transfers	2,925	(163)	789	7,094	62	8,608	(19,315)	**0**
Reclassified to Held for Sale		(272)						**(272)**
Other Movements						2,800		**2,800**
At 31 March 2011	**295,057**	**420,087**	**30,559**	**199,326**	**6,127**	**14,720**	**27,123**	**992,999**
Accumulated Depreciation and Impairment								
At 1 April 2010	(8,535)	(35,311)	(7,738)	(48,997)	(566)	(39)		**(101,186)**
Depreciation Charge	(5,913)	(14,350)	(3,033)	(7,200)	(110)	(134)		**(30,740)**
Depreciation written out to Revaluation Reserve		17,686						**17,686**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	8,529	4,049						**12,578**
Impairment losses/ reversals to Surplus or Deficit on the Provision of Services		7						**7**
Derecognition - Disposals	74							**74**
Reclassifications & Transfers		643				(643)		**0**
At 31 March 2011	**(5,845)**	**(27,276)**	**(10,771)**	**(56,197)**	**(676)**	**(816)**	**0**	**(101,581)**
Net Book Value								
At 31 March 2011	**289,212**	**392,811**	**19,788**	**143,129**	**5,451**	**13,904**	**27,123**	**891,418**
At 1 April 2010	**361,628**	**342,041**	**15,292**	**133,000**	**5,499**	**3,273**	**29,809**	**890,542**

Movement in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant and Equipment**
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 March 2009 as previously reported	354,194	376,334	15,430	169,861	5,967	7,249	15,188	**944,223**
Restatements		7,057				(4,637)		**2,420**
Adjusted opening balance at 1 April 2009	354,194	383,391	15,430	169,861	5,967	2,612	15,188	**946,643**
Additions	32,421	12,834	7,110	8,809	53	16	21,929	**83,172**
Revaluation increases/decreases to Revaluation Reserve		1,841						**1,841**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(18,307)	(17,548)				(617)		**(36,472)**
Impairment decreases to Surplus or Deficit on the Provision of Services		(1,653)						**(1,653)**
Derecognition - Disposals	(779)							**(779)**
Reclassifications & Transfers	2,798	(610)	490	3,327	45	1,301	(7,308)	**43**
Reclassified to Held for Sale	(164)	(903)						**(1,067)**
At 31 March 2010	**370,163**	**377,352**	**23,030**	**181,997**	**6,065**	**3,312**	**29,809**	**991,728**
Accumulated Depreciation and Impairment								
At 31 March 2009 as previously reported	(9,749)	(40,020)	(5,339)	(42,980)	(393)	(39)		**(98,520)**
Restatements	0	(241)	0	0	0	0	0	**(241)**
Adjusted opening balance at 1 April 2009	(9,749)	(40,261)	(5,339)	(42,980)	(393)	(39)	0	**(98,761)**
Depreciation Charge	(7,206)	(11,672)	(2,399)	(6,017)	(110)			**(27,404)**
Depreciation written out to Revaluation Reserve	0	12,766	0	0	0	0	0	**12,766**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	8,374	2,666	0	0	0	712	0	**11,752**
Impairment losses/reversals to Revaluation Reserve		(555)						**(555)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services		330			(63)	0		**267**
Derecognition - Disposals	46							**46**
Reclassifications & Transfers		712	0	0	0	(712)	0	**0**
Reclassified to Held for Sale		703						**703**
At 31 March 2010	**(8,535)**	**(35,311)**	**(7,738)**	**(48,997)**	**(566)**	**(39)**	**0**	**(101,186)**
Net Book Value								
At 31 March 2010	**361,628**	**342,041**	**15,292**	**133,000**	**5,499**	**3,273**	**29,809**	**890,542**
At 1 April 2009	**344,445**	**343,130**	**10,091**	**126,881**	**5,574**	**2,573**	**15,188**	**847,882**

5. Pensions

The Group participates in two pension schemes, the Greater Manchester Pension Fund and the Teachers' Pension Scheme. The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March are as follows:

	GMPF (SMBC) £000	GMPF (Stockport Homes) £000	GMPF (Solutions SK) £000	GMPF (Individual Solutions SK) £000	Teachers' Discretionary Benefit £000	31 March 2011 Total £000	31 March 2010 Total Liability £000
Estimated Employers' Assets	547,200	23,714	39,122	13,119	0	**623,155**	584,127
Present Value of Scheme Liabilities	(650,300)	(24,886)	(36,313)	(10,579)	(17,700)	**(739,778)**	(901,968)
Net Pension (Liability)/Asset	(103,100)	(1,172)	2,809	2,540	(17,700)	**(116,623)**	(317,841)

6. Service Information

The net expenditure of the Authority's principal Portfolios and Committees recorded in the budget reports for the year is as follows

Net Cost of Services

	2010/11 £000	2009/10 £000
Adults and Health	65,110	66,164
Children and Young People	37,394	38,598
Communities	15,633	7,552
Customer Focus	9,307	9,847
Environment	14,187	11,797
Finance	13,008	14,905
Leisure	12,006	11,656
Regeneration	2,607	2,959
Transportation	12,081	12,363
Licensing, Environment & Safety Committee	1,861	1,886
Planning and Highways Committee	954	1,456
Non-Cash Limit	51,168	46,627
Net Cost of Services	**235,316**	**225,810**

Reconciliation of Portfolio/Committee net expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of net expenditure relate to the amounts included in the Group Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Cost of Services in Service Analysis	**235,316**	**225,810**
Add amounts not reported to management	53,293	41,426
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(30,022)	(18,751)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**258,587**	**248,485**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio/Committee net expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Group Comprehensive Income and Expenditure Statement

2010/11 Reconciliation to Subjective Analysis (Group)	**Service Analysis £000s**	**Not reported to mgmt £000s**	**Not included in CIES £000s**	**Allocation of Recharges £000s**	**Net Cost of Services £000s**	**Corporate Amounts £000s**	**Total £000s**
Fees, charges & other service income	(213,236)	0	622	0	(212,614)	(2,735)	(215,349)
Income generated by group companies		(17,830)			(17,830)		(17,830)
Financing and investment income	(2,735)	0	0	0	(2,735)	(86,412)	(89,147)
Income from council tax	0	0	0	0	0	(136,238)	(136,238)
Distribution from NNDR Pool	0	0	0	0	0	(72,849)	(72,849)
Government grants and contributions	(322,407)	6,224	100	0	(316,083)	(56,336)	(372,419)
Total Income	**(538,378)**	**(11,606)**	**722**	**0**	**(549,262)**	**(354,570)**	**(903,832)**
Employee expenses	264,794	(70,490)	0	0	194,304	0	194,304
Group company expenditure		12,706			12,706		12,706
Other service expenses	460,769	(18,442)	(22,669)	22,338	441,996	19,010	461,006
Support Service recharges	22,338	0	0	(22,338)	0	0	0
Capital Charges	0	141,125	0	0	141,125	0	141,125
Financing and investment expenditure	17,718	0	0	0	17,718	83,518	101,236
Total operating expenses	**765,619**	**64,899**	**(22,669)**	**0**	**807,849**	**102,528**	**910,377**
Appropriations	8,075	0	(8,075)	0	0	0	0
Surplus or deficit on the provision of services	**235,316**	**53,293**	**(30,022)**	**0**	**258,587**	**(252,042)**	**6,545**

Reconciliation to Subjective Analysis (Continued)

2009/10 Reconciliation to Subjective Analysis (Group)	Service Analysis £000	Not reported to mgmt £000	Not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(139,385)	0	0	0	(139,385)	(3,526)	(142,911)
Income generated by group companies		(11,716)			(11,716)		(11,716)
Financing and investment income	(3,526)	0	0	0	(3,526)	(71,947)	(75,473)
Income from council tax	0	0	0	0	0	(132,026)	(132,026)
Distribution from NNDR Pool	0	0	0	0	0	(66,258)	(66,258)
Government grants and contributions	(302,088)	8,728	1,968	0	(291,392)	(58,445)	(349,837)
Total Income	**(444,999)**	**(2,988)**	**1,968**	**0**	**(446,019)**	**(332,202)**	**(778,221)**
Employee expenses	259,732	(13,981)	0	0	245,751	10,100	255,851
Group company expenditure		10,992			10,992		10,992
Other service expenses	371,792	(15,908)	(15,734)	19,763	359,913	6,263	366,176
Support Service recharges	19,763	0	0	(19,763)	0	0	0
Capital Charges	0	63,311	0	0	63,311	0	63,311
Financing and investment expenditure	14,537	0	0	0	14,537	78,465	93,002
Total operating expenses	**665,824**	**44,414**	**(15,734)**	**0**	**694,504**	**94,828**	**789,332**
Appropriations	4,985	0	(4,985)	0		0	0
(Surplus)/Deficit on provision of services	**225,810**	**41,426**	**(18,751)**	**0**	**248,485**	**(237,374)**	**11,111**

7. Note to the Cash Flow Statement- Investing Activities

	31 March 2011	31 March 2010
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	**94,510**	74,993
Purchase of short-term and long-term investments	**71,681**	82,754
Other payments for investing activities	**12,454**	11,301
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(373)**	(1,006)
Capital grants	**(33,116)**	(34,886)
Proceeds from short-term and long-term investments	**(76,682)**	(102,701)
Other receipts from investing activities	**(1,320)**	(621)
	67,154	29,834

8. Note to the Cash Flow Statement- Financing Activities

	31 March 2011	31 March 2010
	£000	£000
Cash receipts of short- and long-term borrowing	**(250,202)**	(464,427)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	**205**	203
Repayments of short- and long-term borrowing	**217,276**	440,229
Other payments for financing activities		
	(32,721)	(23,995)

APPENDIX 1

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following notes and tables.

1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2. Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

3&4. Transfer of fixed asset categories and reclassifications

Under the code, the definitions for operational and non-operational property have been revised. Tangible assets now fall to be classified as property, plant and equipment, investment property or assets held for sale. The bases of measurement for these assets under the Code differ from those under the SORP. The fixed assets of the authority have been reviewed to ensure they are correctly classified in line with the new categories defined under the Code and various reclassifications have been made at 1 April 2009 and 31 March 2010. No adjustments have been made to the carrying value of fixed assets at either year end.

5. Change in fair value of investment properties

Investment properties gains and losses are now accounted for through Surplus or Deficit on the provision of services, rather than as revaluation gains and losses.

As a consequence of adoption the accounting policies required by the Code, the financial statements have been amended as follows:

- The balance on the Revaluation Reserve in relation to investment properties at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Revaluation gains/losses previously recognised in 2009/10 for investment properties have now been reflected in Financing and Investment Income and Expenditure as part of surplus or deficit on provision of services.

There is no change to the General Fund balance, as gains/losses are transferred out of the Capital Adjustment Account as part of the Movement in Reserves.

Other adjustments

Other minor reclassifications and adjustments have been made (Adjustments 6 – 11) in line with the requirements of the Code.

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1st April 2009)

		Effect of transition to IFRS							
Council Only	**Previous GAAP 31 March 2009**	Short term compensated absences 1	Capital grants and contributions 2	Transfer to new asset category 3	Transfer asset class 4	Investment property revaluation gains 5	HRA Earmarked reserves 6	Other reclassifications 7	**IFRS 1 April 2009**
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets - Operational	822,834			(822,834)					0
Tangible Fixed Assets - Non Operational	86,724			(86,724)					0
Property, Plant & Equipment				844,840	2,179				847,019
Investment Property				64,718	(5,606)				59,112
Intangible Assets	3,776								3,776
Assets Held for Sale (long term)	0				1,507				1,507
Other Long Term Assets	28,674								28,674
Long Term Assets	942,008	0	0	0	(1,920)	0	0	0	940,088
Assets held for sale (short term)					1,920				1,920
Cash and cash equivalents	12,440							(6,737)	5,703
Other Current Assets	83,641								83,641
Current Assets	96,081	0	0	0	1,920	0	0	(6,737)	91,264
Short Term Creditors	(56,324)	(4,072)							(60,396)
Bank overdraft	(6,737)							6,737	0
Other Current Liabilities	(36,146)								(36,146)
Current Liabilities	(99,207)	(4,072)	0	0	0	0	0	6,737	(96,542)
Deferred Liabilities	(16,684)							16,684	0
Long Term Creditors								(15,396)	(15,396)
Finance Leases								(1,288)	(1,288)
Grants and contributions	(85,491)		82,247						(3,244)
Other Long Term Liabilities	(390,127)								(390,127)
Long Term Liabilities	(492,302)	0	82,247	0	0	0	0	0	(410,055)
Net Assets	**446,580**	**(4,072)**	**82,247**	**0**	**0**	**0**	**0**	**0**	**524,755**
Capital Grants Unapplied			(5,157)						(5,157)
Other Usable reserves	(42,130)								(42,130)
Usable reserves	(42,130)	0	(5,157)	0	0	0	0	0	(47,287)
Revaluation Reserve	(14,932)					3,569			(11,363)
Capital Adjustment Account	(502,903)		(77,090)			(3,569)			(583,562)
Compensated Absences Account		4,072							4,072
Other Unusable Reserves	113,385								113,385
Unusable Reserves	(404,450)	4,072	(77,090)	0	0	0	0	0	(477,468)
Total Reserves	**(446,580)**	**4,072**	**(82,247)**	**0**	**0**	**0**	**0**	**0**	**(524,755)**

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1st April 2009)

Group	Previous GAAP 31 March 2009	Effect of transition to IFRS: Short term compensated absences 1	Capital grants and contributions 2	Transfer to new asset category 3	Transfer asset class 4	Investment property revaluation gains 5	HRA Earmarked reserves 6	Other reclassifications 7	IFRS 1 April 2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets - Operational	823,305			(823,305)					0
Tangible Fixed Assets - Non Operational	87,116			(87,116)					0
Property, Plant & Equipment				845,703	2,179				847,882
Investment Property				64,718	(5,606)				59,112
Intangible Assets	3,776								3,776
Assets Held for Sale (long term)	0				1,507				1,507
Other Long Term Assets	28,400								28,400
Long Term Assets	942,597	0	0	0	(1,920)	0	0	0	940,677
Assets held for sale (short term)					1,920				1,920
Cash and cash equivalents	16,895							(6,737)	10,158
Other Current Assets	84,612								84,612
Current Assets	101,507	0	0	0	1,920	0	0	(6,737)	96,690
Short Term Creditors	(61,307)	(4,435)							(65,742)
Bank overdraft	(6,737)							6,737	0
Other Current Liabilities	(36,146)								(36,146)
Current Liabilities	(104,190)	(4,435)	0	0	0	0	0	6,737	(101,888)
Deferred Liabilities	(16,684)							16,684	0
Long Term Creditors								(15,396)	(15,396)
Finance Leases								(1,288)	(1,288)
Grants and contributions	(86,103)		82,361						(3,742)
Other Long Term Liabilities	(392,070)								(392,070)
Long Term Liabilities	(494,857)	0	82,361	0	0	0	0	0	(412,496)
Net Assets	445,057	(4,435)	82,361	0	0	0	0	0	522,983
Capital Grants Unapplied			(5,157)						(5,157)
Other Usable reserves	(42,130)								(42,130)
Usable reserves	(42,130)	0	(5,157)	0	0	0	0	0	(47,287)
Revaluation Reserve	(14,932)					3,569			(11,363)
Capital Adjustment Account	(502,903)		(77,090)			(3,569)			(583,562)
Compensated Absences Account		4,072							4,072
Reserves (Group CIES)	1,523	363	(114)						1,772
Other Unusable Reserves	113,385								113,385
Unusable Reserves	(402,927)	4,435	(77,204)	0	0	0	0	0	(475,696)
Total Reserves	(445,057)	4,435	(82,361)	0	0	0	0	0	(522,983)

Reconciliation of net worth reported under Previous GAAP to net worth under IFRS at the period end in the 2009/10 Financial Statements (31st March 2010)

Council Only	Previous GAAP 31 March 2010	Effect of transition to IFRS: Short term compensated absences 1	Capital grants and contributions 2	Transfer to new asset category 3	Transfer asset class 4	Investment property revaluation gains 5	HRA Earmarked reserves 6	Other reclassifications 7	IFRS 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets - Operational	846,765			(846,765)					0
Tangible Fixed Assets - Non Operational	100,280			(100,280)					0
Property, Plant & Equipment				881,267	4,774				886,041
Investment Property				65,778	(6,431)				59,347
Intangible Assets	2,873								2,873
Assets Held for Sale (long term)					1,200				1,200
Other Long Term Assets	33,973								33,973
Long Term Assets	983,891	0	0	0	(457)	0	0	0	983,434
Short Term Investments	12,764							(2,620)	10,144
Assets held for sale (short term)	0				457				457
Cash and cash equivalents	9,621							(4,923)	4,698
Other Current Assets	67,438								67,438
Current Assets	89,823	0	0	0	457	0	0	(7,543)	82,737
Short Term Creditors	(56,995)	(3,484)							(60,479)
Bank overdraft	(7,543)							7,543	0
Other Current Liabilities	(23,153)								(23,153)
Current Liabilities	(87,691)	(3,484)	0	0	0	0	0	7,543	(83,632)
Deferred Liabilities	(17,077)							17,077	0
Long Term Creditors								(16,035)	(16,035)
Finance Leases								(1,042)	(1,042)
Grants and contributions	(107,893)		101,600						(6,293)
Other Long Term Liabilities	(610,004)								(610,004)
Long Term Liabilities	(734,974)	0	101,600	0	0	0	0	0	(633,374)
Net Assets	**251,049**	**(3,484)**	**101,600**	**0**	**0**	**0**	**0**	**0**	**349,165**
Capital Grants Unapplied			(7,165)						(7,165)
Other Usable reserves	(44,496)								(44,496)
Usable reserves	(44,496)	0	(7,165)	0	0	0	0	0	(51,661)
Revaluation Reserve	(28,959)					3,749			(25,210)
Capital Adjustment Account	(473,083)		(94,435)			(3,749)			(571,267)
Compensated Absences Account		3,484							3,484
Other Unusable Reserves	295,489								295,489
Unusable Reserves	(206,553)	3,484	(94,435)	0	0	0	0	0	(297,504)
Total Reserves	**(251,049)**	**3,484**	**(101,600)**	**0**	**0**	**0**	**0**	**0**	**(349,165)**

Reconciliation of net worth reported under Previous GAAP to net worth under IFRS at the period end in the 2009/10 Financial Statements (31st March 2010)

Group	Previous GAAP 31 March 2010	Effect of transition to IFRS: Short term compensated absences 1	Capital grants and contributions 2	Transfer to new asset category 3	Transfer asset class 4	Investment property revaluation gains 5	HRA Earmarked reserves 6	Other reclassifications 7	IFRS 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Tangible Fixed Assets - Operational	851,029			(851,029)					0
Tangible Fixed Assets - Non Operational	100,517			(100,517)					0
Property, Plant & Equipment				885,768	4,774				890,542
Investment Property				65,778	(6,431)				59,347
Intangible Assets	2,873								2,873
Assets Held for Sale (long term)					1,200				1,200
Other Long Term Assets	31,003								31,003
Long Term Assets	985,422	0	0	0	(457)	0	0	0	984,965
Short Term Investments	12,764							(2,620)	10,144
Assets held for sale (short term)					457				457
Cash and cash equivalents	14,491							(4,923)	9,568
Other Current Assets	69,676								69,676
Current Assets	96,931	0	0	0	0	0	0	(7,543)	89,845
Short Term Creditors	(61,848)	(3,853)							(65,701)
Bank overdraft	(7,543)							7,543	0
Other Current Liabilities	(23,153)								(23,153)
Current Liabilities	(92,544)	(3,853)	0	0	0	0	0	7,543	(88,854)
Deferred Liabilities	(17,077)							17,077	0
Long Term Creditors								(16,035)	(16,035)
Finance Leases								(1,042)	(1,042)
Grants and contributions	(109,791)		102,735						(7,056)
Other Long Term Liabilities	(631,745)								(631,745)
Long Term Liabilities	(758,613)	0	102,735	0	0	0	0	0	(655,878)
Net Assets	**231,196**	**(3,853)**	**102,735**	**0**	**0**	**0**	**0**	**0**	**330,078**
Capital Grants Unapplied			(7,165)						(7,165)
Other Usable reserves	(44,496)								(44,496)
Usable reserves	(44,496)	0	(7,165)	0	0	0	0	0	(51,661)
Revaluation Reserve	(28,959)					3,749			(25,210)
Capital Adjustment Account	(473,083)		(94,435)			(3,749)			(571,267)
Compensated Absences Account	0	3,484							3,484
Reserves (Group CIES)	19,853	369	(1,135)						19,087
Other Unusable Reserves	295,489								295,489
Unusable Reserves	(186,700)	3,853	(95,570)	0	0	0	0	0	(278,417)
									0
Total Reserves	**(231,196)**	**3,853**	**(102,735)**	**0**	**0**	**0**	**0**	**0**	**(330,078)**

Reconciliation to total Comprehensive Income & Expenditure under IFRS at the period end in the 2009/10 Financial Statements (31st March 2010)

Council Only	Previous GAAP 31 March 2010	Effect of transition to IFRS: Short term compens-ating absences 1	Capital grants and contribu-tions 2	Change in fair value investment properties 5	Dividend income reclassifica-tion 8	Investme nt property rental 9	Deprec ia-tion reclassi fica-tion 10	IFRS 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	
Central services to the public	2,420							2,420
Cultural, environmental, regulatory & planning services	60,126	12	196					60,334
Education & Children's services	55,204	(630)	7,065					61,639
Highways and transport services	35,076	12	1,158					36,246
Local authority housing (HRA)	3,504		69			634	53	4,260
Other housing services	1,700							1,700
Adult social care	73,876	18	206					74,100
Court Services	237							237
Corporate & democratic core	5,080							5,080
Non distributed costs	3,281		35	(70)			(53)	3,193
Cost Of Services	**240,504**							**249,209**
Other Operating Expenditure								
Parish Precept	58							58
Housing capital receipts to government pool	376							376
Gain/loss on disposal of non-current assets	1,385		7					1,392
Financing and Investment Income & Expenditure								
Interest payable and similar charges	14,537							14,537
Pensions interest costs and expected return on pensions assets	10,100							10,100
Investment Interest income	(3,526)				1,000	420		(2,106)
Gain/loss on trading accounts (not applicable to a service)	(2,019)					2,392		373
Changes in fair value of investment properties				(110)				(110)
Investment properties rentals						(3,847)		(3,847)
Expenses incurred on investment properties						401		401
Other investment income - dividends receivable					(1,000)			(1,000)
Taxation and Non-Specific Grant Income								
Recognised capital grants and contributions			(28,089)					(28,089)
Council tax	(132,026)							(132,026)
NNDR	(66,258)							(66,258)
Non ringfenced government grants	(29,335)							(29,335)
(Surplus)/Deficit on Provision of Services	**33,796**							**13,675**
(Surplus)/deficit on revaluation of non -current assets								
Revaluation gains	(14,965)			180				(14,785)
Actuarial gains / losses on pension assets / liabilities	176,700							176,700
Total Comprehensive Income & Expenditure	**195,531**	(588)	(19,353)	0	0	0	0	**175,590**

Reconciliation to total Comprehensive Income & Expenditure under IFRS at the period end in the 2009/10 Financial Statements (31st March 2010)

Group	**Previous GAAP 31 March 2010**	Effect of transition to IFRS: Short term compensating absences 1	Capital grants and contribu-tions 2	Change in fair value of investment properties 5	Dividend income reclassifica-tion 8	Investment property rental 9	Depreciation reclassifica-tion 10	Group accounts adjustment 11	**IFRS 31 March 2010**
	£000	£000	£000	£000	£000	£000	£000	£000	
Central services to the public	2,420								2,420
Cultural, environmental, regulatory & planning services	60,126	12	196						60,334
Education and children’s services	55,204	(630)	7,065						61,639
Highways and transport services	35,076	12	1,158						36,246
Local authority housing (HRA & General Fund)	4,346	6	69			634	53		5,108
Adult social care	74,004	18	206						74,228
Court Services	237								237
Corporate and democratic core	5,080								5,080
Non distributed costs	3,281		35	(70)			(53)		3,193
Share of operating result of associate	(76)							76	0
Cost Of Services	**239,698**								**248,485**
Other Operating Expenditure									
Payments of precepts to parishes	58								58
Payments to Housing capital receipts to govt pool	376								376
Gain/loss on disposal of non current (fixed assets)	1,385		7						1,392
Financing and Investment Income & Expenditure									
Interest payable and similar charges	14,579								14,579
Share of interest payable of associate	29							(29)	0
Pensions interest costs and expected return on pensions assets	10,443								10,443
Investment Interest income	(3,549)				1,000	420			(2,129)
Gain/loss on trading accounts (not applicable to a service)	(3,200)					2,392			(808)
Changes in fair value of investment properties				(110)					(110)
Rentals received on investment properties						(3,847)			(3,847)
Expenses incurred on investment properties						401			401
Other investment income - dividends receivable					(1,000)				(1,000)
Taxation and Non-Specific Grant Income									
Recognised capital grants and contributions			(28,089)					(1,021)	(29,110)
Council tax	(132,026)								(132,026)
NNDR	(66,258)								(66,258)
Non service related government grants	(29,335)								(29,335)
(Surplus) or Deficit on Provision of Services	32,200								11,111

Group	Previous GAAP 31 March 2010	Short term compensating absences 1	Capital grants and contributions 2	Change in fair value of investment properties 5	Dividend income reclassification 8	Investment property rental 9	Depreciation reclassification 10	Group accounts adjustment 11	IFRS 31 March 2010
		Effect of transition to IFRS							
Associates and Joint Ventures accounted for on an equity basis - Authority share of results of associates and joint ventures								(47)	(47)
Share of taxation payable by associate	14								14
Tax expenses - Corporation tax payable	(32)								(32)
Group Surplus or Deficit	**32,182**								**11,046**
Surplus or deficit on revaluation of non current assets									
Revaluation gains	(14,965)			180					(14,785)
Actuarial gains / losses on pension assets / liabilities	196,644								196,644
Share of other Comprehensive Expenditure & Income of associates & joint ventures									0
Other Comprehensive Income and Expenditure									0
Total Comprehensive Income and Expenditure	**213,861**	(582)	(19,353)	0	0	0		(1,021)	**192,905**

PART 2

OTHER ACCOUNTS

This section summarises the accounts of various funds and other bodies which the Council administers on behalf of their trustees or otherwise. They are not part of the assets of the Council, and are therefore not included within the Balance Sheet.

The Council is responsible for the administration of a number of trust funds on behalf of their trustees. This statement sets out the income and expenditure in relation to those trusts. These funds do not represent assets of the Authority and are not therefore included within the Comprehensive Income and Expenditure Statement.

	Fund Balance at 31 March 2010	Increases in year	Reductions in year	**Fund Balance at 31 March 2011**
EDUCATION PRIZE FUNDS	£	£	£	**£**
Holling Priest Educational Foundation	(1,066)	(23)	0	(1,089)
	(1,066)	(23)	0	(1,089)
OTHER FUNDS				
Woodbank Memorial Fund	(4,578)	(73)	0	(4,651)
A.B. (deceased) Fund	(1,830)	(2)	0	(1,832)
C.E. Allen Bequest	(83,018)	(615)	0	(83,633)
Brookfield Park Shiers Family Trust	(250,140)	(5,607)	5,000	(250,747)
King George V Memorial Fund	(1,500)	0	0	(1,500)
Sir Thomas Rowbottom Gift	(2,000)	0	0	(2,000)
	(343,066)	(6,297)	5,000	(344,363)
TOTAL OF ALL FUNDS	(344,132)	(6,320)	5,000	(345,452)

GREATER MANCHESTER RESIDUARY BODY

On 1 April 1989, under the provisions of section 67 of the *Local Government Act 1985*, this Council assumed financial responsibility for the affairs of the Greater Manchester Residuary Body (GMRB). This body was appointed to wind up the affairs of the former Greater Manchester County Council (GMC), and a sum of £2.0m was transferred to this Council to meet all outstanding creditors. Separate accounts are maintained which are summarised below. These accounts do not form part of the Council's Comprehensive Income and Expenditure Statement or Balance Sheet.

REVENUE ACCOUNT

	2010/11	2009/10
	£000	£000
INCOME		
Interest on investments	**(1)**	(1)
Interest on sale of assets	**(8)**	0
Reduction in Provision for future liabilities and bad debts	**0**	0
Total Income	**(9)**	(1)
EXPENDITURE		
Employees	**15**	8
Other expenditure	**30**	30
Total Expenditure	**45**	38
DEFICIT/ (SURPLUS) FOR THE YEAR	**36**	37

BALANCE SHEET

	Balance at 31 March 2011	Balance at 31 March 2010
	£000	£000
Current Assets		
Temporary Investments	**200**	200
Debtors	**0**	0
Cash	**(110)**	(74)
Total Assets	**90**	126
Current Liabilities		
Creditors and provisions	**(84)**	(84)
TOTAL ASSETS LESS CURRENT LIABILITIES	**6**	42
Long Term Loan	**0**	0
TOTAL ASSETS LESS LIABILITIES	**6**	42
Represented by;		
Balance at beginning of year	**(42)**	(79)
Deficit/ (Surplus) for the year	**36**	37
Balances before Distribution	**(6)**	(42)
Balances distributed during the year	**0**	0
BALANCES	**(6)**	(42)

NOTES TO THE BALANCE SHEET

1 Contingent Liabilities and Assets

Municipal Mutual Insurance

In January 1994 the GMC's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a claw back clause will be triggered which could affect claims already paid. As at 31 March 2011 £10.7m of claims had already been paid (£10.7m at 31 March 2010), with outstanding claims estimated at £0.025m (2009/10 £0.1m)

At the present time it is not known whether the claw back clause will be invoked, and therefore no provision for the potential liability has been made in the balance sheet.

Accounting Period

The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual

An amount included in the accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or (b) the actuarial assumptions have changed.

Amortise

To write off a balance gradually and systematically over a specified period of time. Examples of balances which are amortised include Government Grants Deferred and Premiums and Discounts arising from early repayment of loans.

Area Based Grant

This is a general non ring fenced grant to replace Local Area Agreement and a number of other former specific grants.

Asset

Something of value which is measurable in monetary terms.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing Authority

An authority responsible for the collection of the Council Tax and Non-Domestic Rates.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own fixed assets.

Capital Receipt

The proceeds from the sale of a fixed asset, or the repayment of an advance.

Collection Fund

A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax, Non-Domestic Rates and residual Community Charge ("Poll Tax").

Community Assets

Assets that the Council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Commutation Adjustment

In 1992/93 the Government commuted a number of grants. It was subsequently discovered that this would result in certain local authorities suffering a financial loss. In order to address this loss, local authorities have been allowed to deduct annually an amount equal to the loss from their Minimum Revenue Provision (MRP).

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive obligation

An obligation that derives from an authority's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and
- as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

Council Tax

A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Credit Approvals

Amounts notified by the government each year which represent permission to incur capital expenditure and finance it from loans or other forms of credit.

Creditors

Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the balance sheet date.

Current Assets

Assets which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

Current Liabilities

Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Direct Service Organisations (DSOs)

The term DSO is used to cover both direct labour organisations (DLOs) established under the *Local Government, Planning and Land Act 1980* and DSOs established under the *Local Government Act 1988*, for the in-house provision of certain local services. Although both Acts have been subsequently rescinded, the Council has continued to refer to Stockport Direct Services as a Direct Service Organisation.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Exceptional Items

Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

Events after the Balance Sheet Date

Events after the Balance Sheet date, are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Finance Lease

A lease that transfers the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer may be presumed to occur if at the inception of the lease, the present value of the total of lease payments, amount to all the fair value of the leased asset.

Fixed Assets

Tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

General Fund

The main revenue account of the Council, which brings together all income and expenditure other than that recorded in the HRA and the Collection Fund.

Housing Revenue Account

A statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Impairment

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet.

Income

Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments

Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts). A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

Investments (Pension Fund)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties

Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future.

Leasing

A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LOBO ("Lender Option Borrower Option")

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 2 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Materiality

The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

National Non-Domestic Rates (NNDR)

A tax levied on business properties, and sometimes known as Business Rates. An NNDR poundage is set annually by the government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Worth

Total Assets less total liabilities. This is the amount by which the total assets of the Council exceed its total liabilities, and equals the total equity of the Council.

Non-operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

Operating Lease

A lease where the risks and rewards of ownership of a fixed asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

Operational Assets

Fixed assets occupied, used or consumed by the Council in direct delivery of those services for which it has either statutory or discretionary responsibility.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Precept

A levy by one authority which is collected on its behalf by another, e.g. Stockport Metropolitan Borough Council collects Council Tax on behalf of the Greater Manchester Police Authority; the Greater Manchester Fire and Civil Defence Authority; and Offerton Parish Council.

Prior Year Adjustments

Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and

- the accrued benefits for members in service on the valuation date.

Provisions

Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudence

The concept that income should only be anticipated to the extent that it can be realised with reasonable certainty, whilst full and proper allowance should be made for all known and foreseeable losses and liabilities.

Reserves

Amounts set aside in the accounts to meet expenditure which the Council may decide to incur in future periods, but not allocated to specific liabilities which are certain or very likely to occur.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council, as opposed to items which will last for more than one year.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a revenue expenditure funded from capital under statute is a grant of a capital nature to a voluntary organisation.

Revenue Support Grant

A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar Council Tax levy.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

Raw materials and consumable items which the Council has procured to use on a continuing basis and has not used by the end of the accounting period.

Vested Rights

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.

Work in Progress

The cost of work done up to a specified date on an uncompleted project.